François Mitterrand

Why Maastricht is the only option

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Airbus Industrie

Northwest delivers a painful blow

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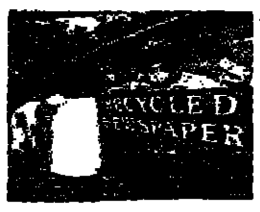

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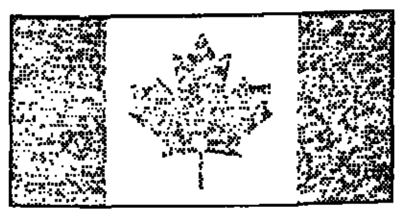

FT NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper WEDNESDAY DECEMBER 9 1992 D8523A

Bundesbank 'at fault for currency crisis'

The Bundesbank was partly to blame for September's turbulence in the currency markets, following its controversial decision to increase interest rates in July, said Ulrich Cartellieri, a main board director of Deutsche Bank, Germany's largest bank.

Mr Cartellieri, the board member responsible for economics, said the market judged that other countries would be unable to follow suit and investors had behaved accordingly. Page 14; 'The EMS will not die' declares Bonn, Page 2

Greater military action urged in Bosnia:

Western European countries should take stronger military action over the Bosnian crisis, said Wim van Eekelen, secretary-general of the Western European Union. He said the UN operation "has probably reached its limits, as far as peace-keeping is concerned". Page 14; EC accuses Greeks over Serb boycott, Page 3

S Africa cancels talks: The South African government said it was cancelling planned talks with the ultra-radical Pan Africanist Congress until the group distanced itself from attacks carried out by its armed wing, the Azanian People's Liberation Army. Page 4

German farmers protest: Up to 50,000 German farmers, many driving tractors, swamped Bonn to express their anger over the European Community's trade deal with the US to curb oilseed production as part of the General Agreement on Tariffs and Trade talks.

Alitalia, the Italian state airline, is poised to acquire a minority stake in Malev, the Hungarian carrier, against stiff competition from Lufthansa of Germany, Hungarian government officials indicated. But a last-minute push by Lufthansa cannot be ruled out. Page 15

Skandia, the leading Swedish insurance group, has emerged as a potential bidder for the core life and non-life operations of Hafnia, the troubled Danish insurer which suspended payments to creditors in August. The group has ambitions to achieve a 20 to 25 per cent market share in Scandinavia. Page 15

Venezuela coup arrests: A Venezuelan court martial ordered the arrest of 240 civilians and soldiers who will be tried for their part in the November 27 coup attempt.

Parisian transport flop: Paris's first experiment with privately run mass transport flopped when the backers of Orlyval, a driverless automatic train, admitted they would have to write off FFr1bn ($187m) of debts and hand control of the lossmaking line to the state. Page 16

Gaidar retreats on oil: Russian acting prime minister Yegor Gaidar signalled a retreat from a main element of his economic reforms, announcing that domestic oil prices would remain below world levels for a long time to come.

Germany to cut car output: Three big German carmakers announced wide production cuts early next year in an attempt to reduce stocks and avoid further job losses. Page 2

Oil prices: Oil prices resumed their slide in late London trading after a senior UN weapons inspector said Iraq might be willing to co-operate on providing details of the supply network for its nuclear programme, currently an obstacle to the UN lifting sanctions on Iraq, including its oil exports.

Intifada to grow: Yassir Arafat, Palestine Liberation Organisation chairman, pledged to step up the five-year-old intifada, the uprising against Israel, in which more than 1,000 people have died, and promised more confrontations with Israeli soldiers.

Plutonium smugglers arrested: Police in Germany and Austria have smashed a ring dealing in smuggled plutonium from the Ukraine and arrested 16 people. It was the latest police action against a growing illegal trade in nuclear materials smuggled into Western Europe from former Soviet republics.

Last blast at oldest copper mine: The last explosive charge to loosen ore in Falun, Sweden, was detonated, in preparation for closure of the world's oldest copper mine by Stora Kopparbergs Bergslags before the end of 1992.

■ STOCK MARKET INDICES

FT-SE 100	2,769.8	(+15.3)
Yield	4.42	
FT-SE Eurotrack 100	1,050.61	(−5.41)
FT-A All-Share	1,314.54	(+0.5%)
Nikkei	17,281.85	(+74.73)
New York lunchtime		
Dow Jones Ind Ave	3,385.16	(−2.17)
S&P Composite	434.82	(−0.49)

■ US LUNCHTIME RATES

Federal Funds:	2⅞%
3-mo Treas Bills: Yld	3.322%
Long Bond	102 1/16
Yield	7.446%

■ LONDON MONEY

3-mo Interbank	7 1/16 %	(7 1/8 %)
Liffe long gilt future:	Dec 100 3/32	(Dec 99 31/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$18.025	(18.15)

■ Gold

New York Comex (Dec)	$335.4	(336.1)
London	$335.75	(335.15)

■ STERLING

New York lunchtime:		
$	1.587	
London:		
$	1.597	(1.5875)
DM	2.4875	(2.49)
FFr	8.48	(8.485)
SFr	2.225	(2.2225)
Y	198.8	(197.5)
£ Index	81.4	(81.2)

■ DOLLAR

New York lunchtime:		
DM	1.5575	
FFr	5.315	
SFr	1.39485	
Y	123.95	
London:		
DM	1.557	(1.5685)
FFr	5.31	(5.345)
SFr	1.394	(1.4)
Y	123.95	(124.4)
$ Index	64.8	(65.0)

Tokyo close Y 123.83

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP80.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

Rejection by Britain and Denmark 'will not stop the construction of Europe'

Mitterrand firm on EC union

By Andrew Gowers and David Buchan in Paris

TEN OUT OF 12 European Community member states are determined to press ahead with implementing the Maastricht treaty on European union whether or not Denmark and Britain join them in ratifying the accord next year, President François Mitterrand of France said yesterday.

In an interview with the Financial Times, Mr Mitterrand insisted that the treaty would neither be renegotiated nor amended to secure Denmark's acceptance in a second referendum next year. He also claimed to have the support of a majority of other member states for this view.

"Rejection by the countries in question [Britain and Denmark] will not stop the construction of Europe . . . The old Europe of the Six plus Portugal and Spain find themselves completely on the same wavelength," he said. Ireland and Greece have also ratified the treaty. "We can't make an agreement minus a single currency, minus the central bank, minus a common foreign policy."

Mr Mitterrand said it would be legally possible to adapt the treaty – "not in substance but in form" – to exclude Denmark in the event of another rejection by Danish voters. As for Britain, he added: "I do not despair at all of seeing Great Britain adhere to the treaty that the head of its government signed."

While he refrained from comment on Britain's latest proposals for dealing with Danish objections to Maastricht, the French president's remarks signal a

■ EMS will not die says Bonn
■ European jobless up 1.3m
■ Leniency urged on VAT rules
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■ Gambler's crowning glory
Page 12

hardening of tone on this central question ahead of Friday's Edinburgh summit. They seem intended in part to increase the pressure on Mr John Major, the UK prime minister and current EC president, to speed up ratification of the treaty in Britain's parliament, rather than waiting for the outcome of another Danish vote in May or later.

Such pressure, however, may complicate Mr Major's efforts to muster consensus at Edinburgh while struggling with his own backbench rebels, whom he has assured that he will delay completing ratification until after a second Danish vote. Mr Mitterrand said it would not be "catastrophic" if British ratification took another four months from now, but that Britain should not make its decision hinge on that of another country.

Also in the interview, Mr Mitterrand:

● Expressed determination to resist pressure from his European partners over the recent EC-US deal on farm trade. He said he did not expect the issue to come up at Edinburgh, as negotiations on an overall settlement in the Uruguay round of the General Agreement on Tariffs and Trade were still continuing. He said France still wanted a reopening of negotiations on agriculture with Washington. If there were no concessions on farm trade, however, he said France would have to act with "great firmness" – while refusing to be drawn on whether it would ultimately use its veto.

● Reaffirmed his determination not to devalue the French franc, which has been under sporadic but heavy pressure in recent weeks. "Devaluation has never been considered a good policy," he said. "France's economic indicators are the best at the moment within the EC."

● Said he did not see the need to move the franc to a narrower band of fluctuation within the European Monetary System, but that the idea was "for discussion".

● Renewed his backing for a "European growth initiative" involving the acceleration of large EC infrastructure projects.

Hindu political leaders arrested after riots

By Shiraz Sidhva and Stefan Wagstyl in New Delhi

THE LEADERSHIP of India's rightwing Hindu Bharatiya Janata Party was arrested yesterday for allegedly instigating riots, the death toll from which rose by 180 to more than 400 since Monday night.

Mr P.V. Narasimha Rao, the prime minister, made some headway in his efforts to calm the crisis, caused by the destruction by Hindu militants of a mosque in the northern town of Ayodhya. Government officials took comfort from the bloodless recapture of the disputed site by paramilitary police at dawn. However, communal frenzy continued unabated in six states.

Police firing and street clashes between Hindus and Moslems brought Bombay and many parts of Maharashtra state to a halt, with 65 more deaths yesterday, taking the toll to 125. In nearby Gujarat, 11 more people died yesterday, raising the death count in the state to 72. The army, which was called out in some Indian states on Monday, continued to be deployed in Uttar Pradesh, where Ayodhya is located, and in parts of Madhya Pradesh.

Five leaders of the Hindu BJP, including Mr L.K. Advani, opposition leader, and Mr Murli Manohar Joshi, the party president, were arrested. This move, together with the government's restored control of the disputed site, and an assurance by Mr Rao that a mosque would be rebuilt alongside a temple in Ayodhya, provided temporary respite to the government, which has been criticised for its inability to avert Sunday's events.

Political tensions remained high as the BJP, which had organised the rally that led to the mosque's destruction, warned of a Hindu backlash if a mosque was reconstructed on the site they believe is the birthplace of the god Ram.

The BJP and its allies, the Vishwa Hindu Parishad and the Rashtriya Swayam Sevak Sangh, pledged to fight the plan. The Hindu parties also promised to campaign for mosques on other disputed sites to be returned to Hindus. Defiant BJP MPs called a nationwide strike today to protest against the arrest of their leaders, claiming no responsibility for the communal carnage their actions had precipitated.

Mr Rao vowed to uphold the rule of law even if it meant being "in wilderness or sitting in opposition". He announced a commission of inquiry led by a High Court judge to investigate events leading to the illegal destruction of the mosque. Several opposition party and Congress (I) MPs believe the destruction of the mosque on Sunday was "no accident", but a "carefully planned coup by Hindu organisations".

Ayodhya itself remained calm, with thousands of devotees leaving the town before noon.

Indian Moslem leaders appealed to Moslems around the world to avoid violence, including attacks on Hindu temples.

Farhan Bokhari adds from Islamabad: At least 20 people were killed as demonstrations against the demolition of the mosque took place across Pakistan yesterday and the country observed a day of mourning.

In the capital, Islamabad, police fired teargas to disperse a crowd which was trying to break through a security cordon at the Indian high commission.

In Bangladesh, at least six were killed and more than 500 injured as groups clashed during a general strike.

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UK Hindus and Moslems, Page 8
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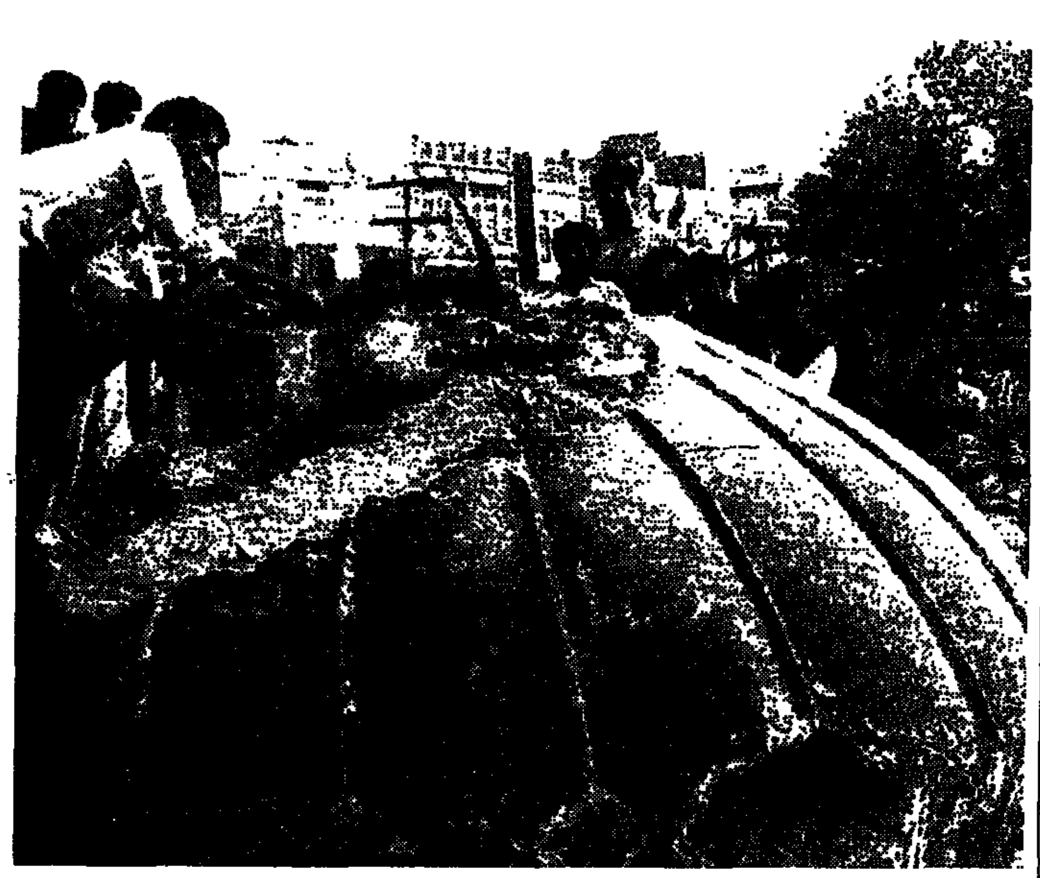

Pakistani Moslems destroy the dome of a Hindu temple with pickaxes in an old quarter of Lahore in retaliation for the razing of the 16th century Babri mosque in the northern Indian town of Ayodhya

Deutsche Bank down 5% in worse than expected result

By David Waller in Frankfurt

DEUTSCHE BANK, Germany's largest bank, yesterday reported a 5 per cent fall in group operating profits for the first 10 months of the year.

The result was worse than analysts' expectations and contrasted sharply with the robust figures Deutsche's competitors have reported in recent days.

It prompted Deutsche's share price to fall by DM13.9 to DM653.1, helping to drag the DAX index of 30 leading German shares down by 17.08 to 1,508.24 in nervous trading.

Total operating profits fell from DM5.20bn to DM4.94bn ($3.1bn) while partial operating profit, which excludes the bank's own account trading, dropped by 3.8 per cent to DM3.96bn.

The fall contrasts with reported growth of 16.6 per cent in total operating profits at Dresdner, Germany's second biggest bank; 13.3 per cent at Commerzbank, the third largest bank; 13.2 per cent at the Bayerische Hypotheken und Wechsel-Bank; and more than 20 per cent at Bayerische Vereinsbank.

At a news conference in Frankfurt, Mr Hilmar Kopper, Deutsche's chief executive, brushed aside the comparison with competitors, saying net profits for the full year would be at least as good as they were last year.

He noted that Deutsche Bank's profits were bigger than those of its next three competitors put together, and insisted that the relative strength of the bank would become clear at the full-year stage, after provisioning for bad debts. Last year net profits rose from DM1.07bn to DM1.41bn while operating profits rose 16 per cent to a record DM5.97bn.

A fall in profits was expected after Deutsche's interim profits fell 3.2 per cent after six months. The bank said then that its size meant it felt the slowdown of the German economy earlier than its competitors.

Mr Kopper went into more detail yesterday, blaming a shift in revenue mix toward lower margin interbank business for the profits fall. Other factors were lower trading profits and the appreciation of the D-Mark against other currencies, especially sterling. Analysts said another reason was a lower return on bank lending to eastern Germany.

Total credit grew by 5.7 per cent to DM316.7bn, while net interest income rose 4.2 per cent to DM9.10bn; net interest margins dropped by 10 basis points to 2.31 per cent. Commission income rose 7.2 per cent to DM3.39bn.

Analysts took some heart at a reduction in expenses growth. For the 10 months, total expenses rose 9.6 per cent to DM8.51bn, whilst over the whole of last year they grew at 18.4 per cent.

Mr Kopper said staff numbers would probably drop by 1,000 during the year and by a similar amount next year.

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Hopes rise for answer to Danish question

By Lionel Barber and David Gardner in Brussels and Ivo Dawnay in London

EUROPEAN Community foreign ministers yesterday made progress on resolving Denmark's difficulties with the Maastricht treaty on European union, raising hopes of a solution at this week's summit of EC leaders in Edinburgh.

A solution allowing Denmark to put the treaty to a second referendum is seen as the lever to reach agreement on the main differences affecting the Community, notably the budget, enlargement and decentralised decision-making.

Foreign ministers from several member states, during a meeting in Brussels, raised reservations about a UK draft allowing Denmark legally binding opt-outs from the Maastricht treaty. Italy, Spain, and Germany – acting on legal advice – suggested that the UK paper amounted to a new treaty.

But Mr Douglas Hurd, UK foreign secretary, said the Community "should never leave its fate to lawyers". Mr Uffe Ellemann-Jensen, Danish foreign minister, agreed: "I am sure legal doubts can be dealt with after today's discussion, after that it is a matter of political will."

The "conclave" of EC foreign ministers in Brussels was the last high-level gathering of the Twelve aimed at salvaging the Edinburgh summit, which many member states were virtually writing off as doomed to failure.

At the same time, though, it was announced that Mr John Major, UK prime minister, is to hold an unscheduled eve-of-summit dinner with President François Mitterrand in Edinburgh tomorrow night.

The surprise meeting, agreed in a telephone call between the two leaders yesterday, comes after British officials had repeatedly stressed that no such encounter was necessary due to the close regular contacts between Paris and London.

Nonetheless, Mr Major's failure to visit the Elysée Palace on

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German motor industry in big production cut

By Christopher Parkes in Frankfurt

THE German motor industry yesterday announced sweeping production cuts early next year in a bid to reduce stocks and avoid further job losses.

Audi, the up-market Volkswagen subsidiary, said about 25,000 of its 37,500 workers would be put on short-time for three weeks during the first quarter of 1993.

Mercedes-Benz announced 14 days' short-time working at its four German car assembly plants in January and February, and up to 40 days at three components factories.

Most of the group's 95,000 car workers are likely to be affected.

Meanwhile, Volkswagen said that up to 14,000 of the 18,000 workers employed at its Hanover works would be sent home for a week during January.

All three companies have already announced plans for large-scale job cuts over the next two or three years.

They have also decided to extend Christmas holidays in most of their factories.

The latest announcements – short-time working in Germany effectively means stopping production – reflect the recent rapid deterioration in domestic markets and continuing recession abroad.

However, there are suggestions that workforce reductions, both planned and executed, may not be enough to counter the effects of recession. Mercedes, for example, has already shed 12,500 workers in the past 12 months.

Short-time working is commonly introduced as an interim measure to balance supply and demand, but in many manufacturing industries hit by the current downturn, it has become a prelude to job losses.

Audi, which recently unveiled plans to reduce its workforce by 10 per cent, said the latest move was "a reaction to the continuing order weakness in the domestic and important European export markets".

There were also unconfirmed reports yesterday that Ford-Werke, the German subsidiary of the US vehicle maker, was headed for its first loss in six years and planned to shed up to 3,000 workers.

According to some estimates new car registrations in Germany will fall by 500,000 next year.

Industry analysts have forecast a 5 per cent fall in western European demand next year, although Ford and Mercedes both hope to regain some ground with important launches of new or revamped models.

BMW, which till benefiting from the impact of its new 3-Series models, said that short-time was out of the question.

The group recently announced proposals for the loss of 3,000 jobs next year.

Plea in Bonn over 'foreigners'

By Judy Dempsey in Bonn

THE younger generation of foreigners living in Germany must be given easier access to citizenship as a means of fully integrating them into German society, Mrs Cornelia Schmalz-Jakobsen, head of the federal department for the problems of foreigners, said yesterday.

She said continuing opposition, particularly from the Bavarian-based Christian Social Union, the sister party of Chancellor Helmut Kohl's ruling Christian Democratic Union, was holding up any changes to the current nationality law, as well as the introduction of an immigration law. German nationality is based on direct German ancestry.

The need to give the younger generation a sense of identity in Germany coincides with nationwide demonstrations against racism which have been organised by the country's universities.

They started on Monday, and will last until Friday, the day after Mr Kohl delivers a special speech to the Bundestag on right-wing extremism and violence.

His speech, which will be followed by a two-hour debate, is in response to domestic and international pressure for the government to play a much more prominent role in combating xenophobia and arson attacks on foreigners.

Yesterday, legal proceedings were started against Mr Thomas Dienel, head of the far-right National Democratic Party, who allegedly said he regretted that Germany's younger generation had not killed any Jews.

Some of an estimated 40,000 German farmers who took part in a demonstration in Bonn yesterday watch a car that was set alight. Farming leaders called the protest against the US-EC pact on farm produce which was agreed last month in the Gatt trade talks

Europol HQ dispute causes concern

THE establishment of a permanent headquarters for Europol, the planned European criminal intelligence agency, is facing a possibly long delay because of disagreements between EC member states, police officials said yesterday, write Jimmy Burns in London and Andrew Hill in Brussels.

Detective Superintendent Ian Morrison, the UK delegate at Europol's pilot offices in Strasbourg, said that in the unlikely event of agreement at the Edinburgh summit, it could take at least six months before Europol was functional. "There appears to be general agreement on the terms of reference of Europol but the issue of location is undecided and without it Europol cannot start," Mr Morrison said. Differences over the location of Europol, which was due to start a drugs unit next month, surfaced last week during a meeting of EC interior ministers in London. Mr Kenneth Clarke, UK home secretary, said the Twelve had agreed the drugs unit should start on January 1.

However, political passions are such that Dutch officials publicly alleged last week that France was attempting to discredit The Hague's candidacy for the institution by accusing the Dutch government of failing to curb the sale of soft drugs.

It is thought likely that the dispute may only be resolved when there is a wider trade-off over other future permanent locations of key Community institutions.

Dutch banker to head governors

THE president of the Dutch central bank, Mr Wim Duisenberg, has been elected chairman of the committee of European Community central bank governors, a body regarded as a forerunner of the mooted EC central bank, writes Ronald Van de Krol in Amsterdam.

Mr Duisenberg, 57, the head of the Netherlands' central bank for nearly 11 years, will succeed Mr Erik Hoffmeyer of Denmark who was named acting chairman of the committee last year after Mr Karl Otto Pöhl, the then president of the Bundesbank, resigned.

The appointment of Mr Duisenberg is for one year only, but it will give heart to campaigners in Amsterdam's financial community who are trying to promote the Dutch capital as the site of the European central bank.

However, Amsterdam's chances are still considered slim unless there is a stalemate between Germany, Britain and France, enabling the Netherlands to emerge as a compromise candidate.

Mr Duisenberg, who was recently named Central Banker of The Year by Euromoney magazine, brings a wealth of international experience to his new job. He is a past president of the Bank for International Settlements in Basle. He began his career in the late 1960s as a staff member of the International Monetary Fund in Washington after completing a degree in economics at the University of Groningen in the Netherlands.

A former Dutch finance minister, Mr Duisenberg is a prominent member of the Dutch Labour party and a former Labour member of parliament. He had a three-year stint as a director of Rabobank, the large Dutch co-operative bank.

The Dutch central bank, like the German Bundesbank, is independent of domestic politics, and Mr Duisenberg has repeatedly said that this is a precondition for the proper functioning of any European central bank.

EC leniency urged over new VAT rules

By Andrew Hill and Andrew Jack in Brussels

EC TAX authorities should not punish companies which accidentally break complex new VAT rules in the first few months of 1993, a senior European Commission official said yesterday.

Mr Peter Wilmott, who heads the Commission's indirect tax and customs directorate, has written to the 12 national administrations urging a lenient attitude towards companies that are slow to meet the requirements. In turn, Brussels is likely to be lenient with laggard member states.

"We expect member states to be understanding of traders' difficulties," he said yesterday. "That doesn't mean they should simply write off big tax debts, but they shouldn't be wheeling out the big guns to sanction people who didn't really understand what they were doing."

A transitional VAT regime comes into force on January 1, and is the key to lifting border controls on goods. But there are fears that the opening of the single market may be marred by a lack of understanding about the system.

● EC transport ministers adjourned talks yesterday until December 21 on the right of hauliers to ply for trade in other EC countries, Reuter reports from Brussels.

Greek premier forced to endure party sniping

By Kerin Hope in Athens

LIKE the chorus of furies in an ancient play, dissatisfied deputies in the ruling New Democracy party are hounding Mr Constantine Mitsotakis, the Greek prime minister. They want him to relax the government's commitment to economic reform.

Mr Mitsotakis retaliated last week by sacking the entire cabinet, only to recall most key ministers after failing to persuade his severest critic, Mr Miltiades Evert, to rejoin the government. He also appointed 19 new junior ministers in an attempt to defuse accusations that decision-making is confined to a coterie around the prime minister's family.

However, Mr Stefanos Manos was left in charge at the economy and finance ministries, underlining that reform is still on track. If applied with sufficient rigour, Mr Manos's adjustment programme should reduce Greece's swollen public sector deficit to manageable levels next year and bring inflation below 10 per cent for the first time in two decades.

Nonetheless, Mr Mitsotakis can expect more trouble from his party in the months ahead. Next spring marks the start of an election year, when the government will come under increased pressure to abandon the stabilisation programme.

New Democracy deputies are unashamedly demanding an end to wage restraints, more patronage appointments and generous spending on public works in marginal constituencies. They showed what they thought of Mr Manos's policies by staying away from parliament when he presented an austerity budget for 1993. Despite Mr Mitsotakis's efforts to reimpose his authority on the party, the budget vote later this month will be a difficult test for the government.

The main challenge comes from Mr Evert, who was fired from the cabinet a year ago for trying to interfere in foreign policy when his brief was to reform the civil service.

Since then Mr Evert has been positioning himself to succeed the 74-year-old Mr Mitsotakis as party leader, choosing the economy as the issue on which he can most easily embarrass the government. As recession continues, Mr Evert's arguments in favour of promoting growth through increased spending and cuts in interest rates find favour with a large section of the Greek business community.

Mr Evert also seems to advocate a compromise on privatisation, which is supposed to be the central plank in New Democracy's economic platform but arouses fierce party opposition.

But if Mr Manos's aims of containing the deficit are to be achieved, it will largely be due to the Dr330bn (£1bn) in privatisation revenues projected for next year. Moreover, he is counting on about Dr300bn in extra income from direct taxation. Part of this will come from another potentially unpopular move: a crackdown on tax evasion.

Belgian parties agree reforms

Seven Belgian political parties yesterday overcame stumbling blocks to constitutional reforms that threatened to destabilise the fragile coalition government, Reuter reports from Brussels.

A spokeswoman for Prime Minister Jean-Luc Dehaene said the parties reached a compromise after overnight negotiations on a "green tax" and on budget arrangements for Belgium's German-speaking region.

Polish strike to go ahead

Poland's Solidarity trade union will go ahead with plans for a two-hour general strike next week after talks with the government failed to satisfy its demands, a union spokeswoman said yesterday, Reuter reports from Warsaw.

Ms Ewa Tomaszewska, a member of Solidarity's national commission, said the government had not agreed to ease wage curbs enough to compensate falling real wages.

Europe's jobless rises 1.3m

THE number of people out of work in the European Community rose to 14.6m in October, up from 13.3m in October last year, the EC statistics office, Eurostat, said yesterday, Reuter reports from Luxembourg.

Eurostat's monthly bulletin said the seasonally adjusted average rate of unemployment also edged up to 9.8 per cent from 9.7 in September, and 9 per cent in October 1991. It is now at the highest rate since June 1988.

Eurostat said the rise in the number of unemployed over the year was particularly marked in Britain, Spain and eastern Germany, which together accounted for 1.04m of the total increase.

Oil clean-up

A 23 sq-mile oil slick from the wrecked Greek tanker, Aegean Sea, which spread along Spain's north-western coast, was under control yesterday, local authorities said, Reuter reports from La Coruña. Fierce storms had earlier hampered attempts to contain the spillage from the ship which ran aground at the entrance to La Coruña harbour last Thursday.

Murder case

Mrs Grace Livingstone, wife of Ireland's senior tax fraud investigator, Mr James Livingstone, was found murdered at their home in Malahide, north of Dublin, Tim Coone writes from Dublin. Mrs Livingstone had been tied up and shot in the back of the head.

Chemical industry warned of need for restructuring

By Paul Abrahams

FT WEST European ethylene manufacturers were warned yesterday they face a sustained period of unprofitability and cannot rely on demand growth to restore profits.

The industry would require improbable annual economic growth rates approaching 6 per cent if it was to reach more acceptable profitability by 1995, said Mr Peter Kwant, vice-president of European petrochemicals at Shell International Chemical Company.

Mr Kwant, speaking at the Financial Times Petrochemicals conference in London, said the European industry was mature, suffering from overcapacity, weak economic growth and high relative costs.

Unless the industry closed its less efficient units, it would be confronted with the prospect of prolonged financial distress, added Mr Kwant.

The biggest challenge facing the industry remains overcapacity. Global capacity increased from 48m tonnes a year in 1986 to 70m, and would reach 90m tonnes by the end of the decade, warned Mr Stephen Pettit, chief executive of BP Chemicals' petrochemicals division. Worldwide demand growth would average only 5 per cent before the year 2000. Unless action was taken, European operating rates would not improve until 1994 and would not reach 95 per cent until the end of the decade.

Mr Ronnie Hampel, chief operating officer of Imperial Chemical Industries, said only a small start had been made in the restructuring and rationalisation required in all parts of the chemical industry. "We are putting our heads in the sand if we do not recognise that in all branches of the industry there are too many players."

Although the number of European manufacturers had been reduced since 1980, there were too many in ethylene, low-density polyethylene, PVC and polypropylene. Many areas of speciality chemicals were also suffering from excess capacity, said Mr Hampel.

However, Mr Pettit at BP said there were not enough really uncompetitive crackers which were obvious candidates to influence significantly the capacity/demand imbalance. He called for the creation of a pan-European pipeline which would increase the merchant ethylene market and reduce the rapid swings in prices.

Mr Pettit said the industry also needed more joint-ventures, alliances and portfolio swaps, and sharing of assets and sites.

Mr Hampel said the penchant for diversification during the 1980s meant companies were now involved in too many peripheral businesses. Chemical groups must seek cost effective rationalisation.

Japanese may [illegible] chemical industry, Page [illegible]

Correction

Laurent-Perrier

An article in the Eastern France survey on November 23 incorrectly stated that Laurent-Perrier champagne is majority-owned by the Burtin-Mora family. The company is controlled by the de Nonancourt family, which holds more than 70 per cent of the equity.

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NEWS: EUROPE

Macedonia takes up proposal for new name

EC accuses Greeks over Serb boycott

By Lionel Barber in Brussels

GREEK companies are systematically breaking the United Nations trade embargo against Serbia, sending thousands of tonnes of oil to the former Yugoslavia, EC officials said yesterday.

Operators based in Greece are sending oil by road and rail via Romania and Bulgaria, undermining UN efforts to curb Serbian aggression through a tight trade ban, the official said.

Mr Abel Matutes, the Spanish European Commissioner responsible for Mediterranean affairs, laid out the sanctions-busting dossier during a meeting of EC foreign ministers in Brussels on Monday.

Mr Matutes said up to two trains a day were leaving Greece for Romania carrying an estimated 1,000 tonnes a day. Several thousand tonnes more a week were being ferried by lorry from Greece to Bulgaria.

Mr Matutes said he was not accusing the Greek government of sanctions busting, since private operators were involved. However EC diplomats said the Greek foreign minister was embarrassed by the presentation.

The Greek representative told the meeting his country could not control the operations of private companies with genuine documents showing oil being shipped to another destination.

Greece has denied systematic violation of the sanctions and said it was investigating specific cases when Greek-operated vessels delivering oil were observed by western naval patrols.

The details of sanctions busting come amid fresh prospects of ending the dispute between Greece and the former Yugoslav republic of Macedonia.

Greece has blocked EC recognition of Macedonian independence because it objects to the use of the name Macedonia, which is also the name of a province of Greece.

Macedonia's President Kiro Gligorov will today ask parliament to adopt the name Republic of Macedonia (Skopje) in an attempt to win international recognition.

Greece has been stopping petrol supplies to Macedonia because of the dispute. However it recently agreed to release 21,000 tonnes of oil being held at Salonika to go to Macedonia. But it is still holding around 60,000 tonnes ordered by Macedonia last summer.

The UK presidency of the EC is trying to overcome Greek opposition to recognition of Macedonia and wants to avoid at all cost a row break with the fragile Athens government before the Edinburgh summit.

● EC officials said there had been a serious breakdown of discipline among UN peacekeeping forces involving Russian, Ukrainian and Kenyan troops fraternising with Serbs. Mr Douglas Hurd, Britain's foreign secretary intends to raise the matter with senior UN officials.

An EC official said the incident could encourage Croatia's President Franjo Tudjman to carry out his longstanding threat to oppose an extension of the United Nations peacekeeping mandate in Croatia beyond March 1.

Mr Gaidar yesterday: his survival hangs on tight vote today

Yeltsin twists again in bid to salvage Gaidar

By John Lloyd in Moscow

MR BORIS YELTSIN, the Russian president, yesterday offered a power-sharing deal and a further ministerial sacrifice in an effort to persuade the Russian Congress of Peoples Deputies to approve the reappointment of Mr Yegor Gaidar as prime minister.

A vote on Mr Gaidar, at present the acting prime minister and sole candidate for the post, is expected today. Mr Yeltsin's latest concessions to the middle ground in Congress mean the outcome of today's vote is likely to be very close.

Mr Yeltsin yesterday recommended Mr Gaidar to the deputies as a man of courage, of devotion to the cause of reform and -- to cynical laughter - "just smart".

The president also proposed that the Supreme Soviet, or smaller permanent parliament, be given the right of veto over the appointment of four ministers - defence, security, interior affairs and foreign affairs, the so-called "power block".

Such an arrangement would probably seal the fate of Mr Andrei Kozyrev, the liberal foreign minister, whose pro-western sentiments and perceived indifference to the fate of Russians in other former Soviet republics have angered conservative and centrist deputies. However, as a constitutional change this move would need a two thirds majority - and the signs were yesterday that it would be unlikely to obtain such a vote.

Several faction leaders, who met Mr Yeltsin before the session, said that they would not vote for the deal because it did not include the key economic ministries. They also said they were unlikely to vote for Mr Gaidar.

Mr Vassily Lipitsky, a leader of the Civic Union block which has been negotiating with the president over economic reform and the government, said yesterday he "could not see a majority" - a minimum of 521 - for Mr Gaidar.

Mr Oleg Plotnikov, the co-ordinator of the "Smena" centrist faction in Congress said that "whatever I think about Gaidar, I know that the people who elected me in Kostorma would hate it if I voted for him. He is very unpopular in the countryside especially, where they haven't seen anything good from the economic reforms".

If not confirmed today, Mr Gaidar may still live on as acting prime minister until the next Congress is convened in April - under a clause in the constitution which allows the president to appoint his choice as premier for three months before submitting a new candidate.

Mr Yeltsin's offer, and the apparent willingness to sacrifice a foreign minister, marks the intensity of the struggle between the president and the parliament on the government's policies and personnel.

He has been unable, it seems, to conclude an agreement with the centrist Civic Union bloc which could deliver a stable majority of votes in the Congress - largely because the loose coalition of movements and parties cannot exert discipline over their nominal members.

However, his concessions to the middle ground means that the vote to confirm Mr Gaidar today is likely to be a cliffhanger, with at least some of the centrists believing that the changes in economic policy, foreshadowed in Mr Yeltsin's speech last week and in the outline agreement on policy reached between the government, were sufficient to attract their support.

Sarajevo cut off by fighting

Geneva talks fail to make a start

INTERNATIONAL mediators yesterday failed to get Bosnia's Moslem-led government to talk to Mr Radovan Karadzic, the Bosnian Serb leader, agencies report from Geneva.

Diplomats said Mr Cyrus Vance and Lord Owen, co-chairmen of the Geneva conference on the former Yugoslavia, had asked Mr Haris Silajdzic, the Bosnian foreign minister, to meet the rebel Serb chief, but Mr Silajdzic, and Croat leader Mate Boban, both refused to hold direct negotiations with Mr Karadzic to discuss maps showing their visions for the future shape of Bosnia.

Earlier Moslems, Serbs and Croats presented maps setting out their widely differing plans for a peacetime Bosnia.

Although Serb, Moslem and Croat military officers from the three warring sides have held UN-sponsored talks in Sarajevo, Moslem political leaders have consistently refused face-to-face contact with Serbs whom they blame for the slaughter in Bosnia.

Renewed fighting on the ground yesterday, especially around the Bosnian capital of Sarajevo, made real progress virtually impossible in Geneva.

Fierce fighting broke out in Sarajevo yesterday effectively cutting it off from the outside world after Serb tanks closed the main road to the airport.

Many parts of the city and its surroundings were under fire with the main assault on the battered suburb of Dobrinja. United Nations headquarters west of the centre also took a direct hit, wounding at least one person.

French peace-keepers said at least two Serb tanks on the airport road had fired some 20 rounds into the Dobrinja suburb. The fighting, the most serious in weeks, seemed to be out of control as the UN peacekeepers, who approached the Serbs to ask them to stop fighting, said they were forced to withdraw under fire.

French Colonel Armel Vout of the UN Protection Force described the situation as "very serious".

UN peacekeepers said fierce clashes between Serbs and Moslems were continuing along the airport road and on the only other route into the capital from Serb-held Ilidza.

Sarajevo's airport has been closed for seven days because two UN planes were hit by small-arms fire last week.

Serb and Bosnian commanders signed a UN-brokered agreement on Monday to respect the safety of humanitarian flights and to co-operate in keeping the airport road open.

The agreement, which was to have gone into effect at midnight on Tuesday, is now in doubt.

Sarajevo's Kosevo hospital was hit on Sunday by around 30 mortar bombs.

Hungarian poster ban in Romania

By Virginia Marsh in Bucharest

A ROMANIAN nationalist mayor has banned Hungarian language posters in the ethnically mixed Transylvanian town of Cluj.

Mr Gheorghe Funar said he had outlawed the posters which advertised a Hungarian language theatre festival because they refer to "Kolozsvari", the Hungarian name for the town.

"I am the mayor of Cluj. There is no such place as Kolozsvari in Romania," he said.

A spokesman for the ethnic Hungarian party said the mayor's move was the latest in a "deliberately provocative hate campaign" against local ethnic Hungarians who form nearly a quarter of the 330 inhabitants of the town which was once capital of Hungarian-ruled Transylvania.

Mr Funar, who ran unsuccessfully against President Ion Iliescu in presidential elections this year, has imposed several curbs on minority rights.

This recently prompted Hungarians to demand limited self-rule for their communities in Transylvania.

Romania has 1.6m ethnic Hungarians, 7 per cent of the country's population, according to a census this year.

Transylvania, where most of the Hungarian minority live, was ruled by neighbouring Hungary before 1918.

Czechs win more investment

FOREIGN investment in Czechoslovakia has more than doubled from 1991, the central State Bank said yesterday, agencies report.

"By the year's end, we count on direct foreign investments reaching some $1.2bn," Czechoslovak State Bank's spokesman Mr Martin Svehla said.

Direct investments during the first three quarters of this year amounted to $975.6m, a 61 per cent rise over 1991. "Some 53 per cent of that sum came in only between July and September," Mr Svehla said. But he explained this was the result of contracts concluded earlier in the year.

Since 1991, when a reform designed by Premier Vaclav Klaus to achieve a speedy transition to a market economy came into effect, foreign investment in Czechoslovakia has totalled $1.725bn.

This year, most investments were made in construction, food processing and banking.

Leading investor countries included the US and France with last year's biggest investor, Germany, ranking third.

Among the companies waiting to move in next year were Renault, Bosch, Porsche and Westinghouse.

Government experts calculate next year's direct investments in the Czech republic could amount to $1.3bn.

This year, Czechoslovakia also received some $759m in loans from the world's leading financial institutions - the largest part, $284m from the IMF.

NEWS: INTERNATIONAL

Business upset by Ayodhya turmoil

By Stefan Wagstyl in New Delhi, R C Murthy in Bombay and Kunal Bose in Calcutta

INDIAN businessmen fear that the crisis sparked by the destruction of a mosque at Ayodhya by Hindu militants could harm the economy if the government does not rapidly move to restore stability.

They fear that the riots, curfews and strikes which have followed Sunday's assault on the mosque will damage business confidence and jeopardise the reform programme of Mr P V Narasimha Rao, the prime minister.

They said much would depend on how quickly order was restored. "The next two days are vital," said Mr V. Raghuraman, secretary general of the Association of Indian Chambers of Commerce and Industry.

Finance Ministry officials also acknowledged the crisis could affect sentiment if it were allowed to drag on.

The mood was particularly bleak in Bombay, which has borne the brunt of the riots. Many offices in the city were closed yesterday after disturbances in which at least 50 people were killed.

The incident was already having an effect on business life: Hindustan Aluminium, an aluminium producer, yesterday postponed the pricing of a planned $100m Euro-equity issue because the Bombay stock market was closed so no price quotations were available.

Stockbrokers prepared for a sharp drop in share prices today, the first day the market is due to open since the mosque's destruction. Hotels reported many cancellations. Mr Ratan Tata, chairman of the Tata group, India's largest company, said from his Bombay office: "The world is going to look at India as an unstable country. Political stability is one of the main considerations governing foreign investment."

Mr Nimesh Kampani, head of J M Financial and Investment Services, an investment broking company, said the incident would probably affect India's international credit rating – and make it more difficult for Indian companies to raise funds overseas.

In Calcutta, Mr Mumtaz Ahmed, a spokesman for the Bengal Chamber of Commerce and Industry, said: "Foreign investors don't just look for favourable government policies. They watch the situation on the ground. Foreigners will be in no hurry to invest after the Ayodhya incident. We tend to forget that India is just one of many investment options available to foreign investors."

Mr Jahar Sengupta, chairman of ICI India, an affiliate of the UK chemicals combine, was less glum. He forecast that there would be a serious setback in foreign investment in India only if Mr Rao's government falls – an event which yesterday seemed unlikely.

Mr Ashok Desai, the the Finance Ministry's chief economic adviser, said the main impact of the crisis on foreign investment would be on portfolio investment. Businessmen who knew India well and were considering specific direct investments would not be so easily put off. Mr Manmohan Singh, the finance minister, who is in Washington, said yesterday that now that the liberalisation measures "are seen to work, the reforms can only go forward".

The mosque's destruction has held up government business, including economic policymaking, with ministerial timetables cleared of routine work to make room for considering the crisis. The parliamentary committee probing the Bombay securities market scandal has postponed its meetings. If they are not resumed soon, that will delay MPs' final report which is expected to contain firm recommendations about financial reform.

Japanese may aid chemicals industry

By Paul Abrahams

JAPAN'S ailing petrochemical industry may be offered fiscal incentives to encourage rationalisation.

A strong possibility exists that tax exemptions, interest-free loans and other incentives could be offered to the industry in an effort to help restructuring, said Mr Hajime Furuta, director of the basic chemicals division of Japan's Ministry of International Trade and Industry.

Restructuring was needed because the Japanese petrochemicals industry was weak and uncompetitive, added Mr Furuta, in London for the Financial Times conference on petrochemicals.

The plight of the Japanese industry, the world's second largest after that of the US, with an annual turnover of nearly $65bn was worse than in the last recession 10 years ago.

Consumer demand seemed saturated and the inventory adjustment would last longer than during the last recession. Raw material prices were lower this time.

The industry had severe structural problems because of excessive competition. The sector was highly fragmented, with 12 ethylene manufacturers. The largest had 12 per cent of the market and the smallest 6 per cent.

Alliances and other forms of co-operation were needed, with both domestic and foreign partners.

In the scramble for market share, excess capacity had been built up. Annual Japanese production next year would be 7.2m tonnes, while demand would be 6m tonnes.

The industry was facing increased competition from other Asian producers, especially South Korea. Miti estimates a global oversupply of ethylene of 5.2m tonnes a year by 1996. In addition, the slowdown in the Japanese economy meant there was more than two months' worth of stocks.

Between April 1991 and October this year, prices of high and low density polyethylene had fallen 36 per cent, with those for polypropylene and polystyrene falling more than 40 per cent.

The industry's profits last year had already fallen 45 per cent to under $80m. For the first half of this year, the figures were worse, with profits down 80 per cent to $12m. Five ethylene producers were in the red and others would follow.

There was no question of intervention such as in 1983 when, after the "structural adjustment law", almost 30 per cent of capacity was shut. But Miti would try to act as a catalyst.

Pretoria cancels talks with PAC after murders

By Patti Waldmeir in Johannesburg

THE SOUTH African government said yesterday it was cancelling planned talks with the ultra-radical Pan Africanist Congress and would hold no further negotiations with the group until it distanced itself from attacks carried out by its armed wing, the Azanian People's Liberation Army (Apla).

Yesterday the PAC further enraged the government, which is under pressure from its white supporters to take a tough line on racial violence, by defending Apla, which has claimed two attacks on white civilians over the past 10 days. Five people have died.

Orde Boerevolk (Order of the Afrikaans People), a white splinter group, said it would bomb black taxi ranks in retaliation. Other white right-wing groups, most small but with former and serving security force officers among their members, also threatened vengeance.

The Conservative party, the largest white opposition group, asked its supporters to report to their nearest CP office to help counter the Apla threat.

Tour operators said publicity over the attacks, notably in the UK, had prompted some to cancel Christmas holidays.

White South Africans have been shocked by Apla statements declaring war on whites – despite the fact that, in a country with one of the highest murder rates in the world, the risk of falling victim to racist terrorism is small.

In the past, political commentators have tended to dismiss the PAC, which waged a guerrilla war from exile for more than 30 years until it was unbanned in 1990, but can claim few previous attacks on military or civilian targets.

But they point out that the African National Congress's decision to enter negotiations with the government has alienated some radical black youths, and has probably boosted PAC membership. Although a recent opinion poll put this at only 3 per cent nationwide, the organisation has recently struck a chord with radical township youths by condemning the white reaction to Apla's attacks: the PAC argues, not without foundation, that whites ignore thousands of black deaths and react only when whites also die.

The PAC army has established bases in the Transkei black "homeland", where three out of five members of the ruling Military Council are understood to be PAC sympathisers.

Ironically, one effect has been to cement the improving relationship between the ANC and the government, which are negotiating to rule South Africa by coalition in the transition to full democracy. In the face of PAC leaders defending their slogan "one settler one bullet", the ANC, which has condemned the attacks, appears more moderate.

The Apla campaign – even if it claims no further victims – is likely to undermine progress in constitutional negotiations. The government had succeeded in recent months in persuading the PAC to join talks on a new constitution, but PAC officials have now said they will no longer participate in talks, or in an interim government.

Takeshita confident he can avoid resignation

By Robert Thomson in Tokyo

JAPANESE opposition parties yesterday went through the ritual of formally demanding the resignation from parliament of Mr Noboru Takeshita, the former prime minister, who has already defied two months of public demands that he take his final political bow.

Mr Takeshita's determination to remain the elder statesman of the ruling Liberal Democratic party reflects the ability of tainted Japanese politicians either to ignore demands for their departure or to feign a resignation, only to return a few months later, apparently "purified" by the experience.

In presenting the resignation demand to parliament, the three largest opposition parties claimed that Mr Takeshita had brought shame to the Japanese political system and "damaged its international reputation" through alleged gangster links.

It is claimed that Mr Takeshita used the good offices of a gang boss to silence an extreme right-wing group which had mounted a "praise to death" campaign against him in 1987, before his selection as party president and elevation to the prime ministership.

Having survived two sessions of testimony before parliament and secure in the knowledge that the opposition does not have the numbers to make its resolution stick, Mr Takeshita has told his aides that the worst of the crisis is over, and that they should concentrate on a cabinet reshuffle likely later this week.

He has justified his stand by arguing that "if I resign, people will think I am guilty", though the conflicting evidence given by himself and other LDP officials has prompted about 70 per cent of Japanese, as measured by opinion polls, to demand Mr Takeshita's resignation.

In private, Mr Takeshita insists he has done more for Japan than any other MP and, regardless of the gang allegations, is entitled to a dignified exit from politics. He also says the party owes him a large favour for his resignation as prime minister in 1989 during the Recruit stocks-for-favours scandal.

Mr Takeshita argues that he deserves credit for having negotiated the introduction of a controversial consumption tax, and that his skills contributed to the resolution of various complex bilateral disputes, including a decade-old debate with the UK government over exports of whisky to Japan.

While Mr Takeshita is confident he has survived, he recognises that another term as prime minister is out of reach. Conscious of his place in political history, he had hoped to clear his name with a scandal-free second term and had presumed that a lack of obvious successors to Mr Miyazawa would provide an opening.

Noboru Takeshita: told aides that the worst of the crisis is over

UK, China resume HK talks

By Simon Holberton in Hong Kong

BRITAIN and China yesterday began three days of talks on the future of Hong Kong and devoted the first session to a recitation of known positions about proposals made by Governor Chris Patten for more democracy in the colony.

China urged Britain to withdraw the governor's proposals and abide by the 1984 Sino-British Joint Declaration and the 1990 Basic Law – the mini-constitution drafted by Beijing for Hong Kong when it reverts to Chinese sovereignty in 1997.

Mr Tony Galsworthy, Britain's representative, again offered China talks on the proposals which envisage a broadening of the franchise in elections due in 1995.

The latest round of talks is the 25th to be held by the Joint Liaison Group which was set up, in accordance with the Joint Declaration, to oversee orderly transfer of sovereignty of Hong Kong to China. British officials do not expect much progress to be made this week.

Mr Patten's proposals initially won widespread support in Hong Kong. That support, however, has weakened in the face of a concerted campaign by China to discredit the governor, and local concerns about Mr Patten's style of leadership.

Yesterday's Economic Journal, Hong Kong's leading financial daily, carried an editorial that was very critical of the governor's style.

George Graham adds from Washington: US President-elect Bill Clinton said yesterday he was "very concerned" about the mounting tension between China and the UK over the future of Hong Kong, and hoped the US could play a "very constructive role in relieving those tensions."

"I think it is clear from the activities in China in the last few years that the Chinese desperately want to maintain the economic engine of Hong Kong. I hope they understand they really can't maintain it unless they also maintain a large range of personal freedom, liberty and human rights," he told a meeting of media executives in Washington yesterday.

Mr Clinton, who during his election campaign criticised President George Bush for taking too gentle an attitude to Chinese human rights abuses, said he might want to say more on the subject after he enters the White House.

Torture rife in Chinese jails, claims Amnesty

By Yvonne Preston in Beijing

BRUTAL and sometimes fatal torture has become endemic in Chinese jails in the past 10 years, although the country's law forbids it and China has ratified the UN convention against it, Amnesty International reports today.

Amnesty says continued campaigns to crush crime and political opposition have fuelled human rights violations, including arbitrary detention, executions and torture. Its report details dozens of cases, some involving women and children, beaten, shackled for months on end, given electric shocks, and kept in dark cells too small to stand up or lie down in.

Amnesty says: "We believe the law enforcement and justice system in China actually foster torture". Prisoners have few rights. Many are abused into confessions. Amnesty accuses China of failing to provide basic safeguards to protect prisoners. Many are held with no right of access to lawyers, and at the mercy of police and guards.

China says it follows up cases of torture. A British human rights delegation was told last week that 400 cases of torture were investigated in 1991, leading to penalties against the torturers. Amnesty cites the same figure, which it believes represents only a fraction of the real number of cases. It urges China to protect prisoners and end the impunity many prison guards enjoy.

Zambia eases foreign exchange regulations

By Tony Hawkins in Harare

ZAMBIA has liberalised its foreign exchange regime by merging the official and free market rates, before a meeting with donors in Paris on Friday.

As a result, the official rate has been devalued 29 per cent from 248 kwacha to the dollar to K320. Before the move, announced on Monday night by the Bank of Zambia, the stronger official rate had applied to copper exports, accounting for 90 per cent of total foreign earnings, as well as to official payments abroad for debt service, fuel imports and other key imports such as fertiliser.

Since the Movement for Multi Party Democracy (MMD) government was elected 13 months ago, the foreign exchange market has been substantially deregulated. Zambians can buy up to $6,000 per transaction at bureaux de change to pay for imports, service payments and foreign travel, with no limit on the number of transactions and no documentation required.

The effective devaluation of the official rate will boost the domestic currency earnings of the government-owned Zambia Consolidated Copper Mines and will also have a favourable impact on government revenue. But costs and prices will be adversely affected, temporarily exacerbating inflation currently running at more than 100 per cent.

Officials are confident, however, that the worst of the inflationary spiral is over and that inflation will slow to 20 per cent by the final quarter of 1993.

The activist and the tycoon in tussle for South Korea presidency

Two very different sons of the nation want to be the first opposition candidate to win office, write **John Burton and Alexander Nicoll**

WHILE Mr Kim Dae-jung was being imprisoned by South Korea's former military dictatorship, Mr Chung Ju-yung was building the country's largest corporate empire with the help of subsidised government loans.

Now both want to become the first opposition candidate to win the presidency. In spite of their contrasting backgrounds, their platforms for the December 18 elections are strikingly similar, especially on opening up the flagging economy.

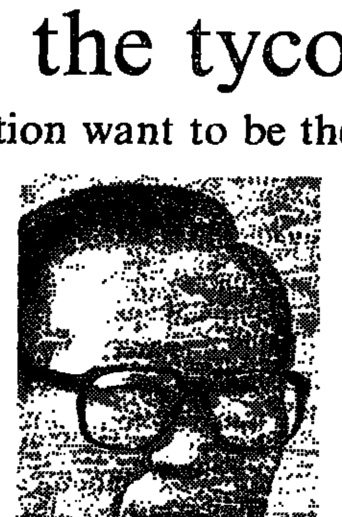
Mr Kim, the 67-year-old democracy campaigner, has his best chance of gaining the prize he sought in 1971 and 1987. He was repeatedly jailed and exiled during three decades of struggle against the military regime.

He survived assassination attempts, was kidnapped from Japan by the Korean Central Intelligence Agency in 1973 and had a death sentence commuted at the last minute in 1981.

His fate in the elections depends largely on the number of votes captured from the government by the populist, Ross Perot-style campaign of Mr Chung, founder of the Hyundai industrial group.

The gruff 77-year-old, who rises at 3am each day and walks to work surrounded by a gaggle of his sons, is a former construction worker and truck driver who built Hyundai over some 45 years into Korea's biggest chaebol, or family-owned conglomerate. He entered politics last year in frustration at attempts by the government to restrict the activities of groups such as his.

Mr Chung's gain in popularity has raised the possibility that he could win enough votes from Mr Kim Young-sam, the ruling party candidate, to give victory to Mr Kim Dae-jung. There is even speculation that Mr Chung could win.



Chung Ju-yung: a Ross Perot

Mr Kim Dae-jung is taking two views of the official investigation launched this week of alleged secret funding by Hyundai of the United People's Party – charges which Hyundai and the UPP deny.

On the one hand, he is dismissive of Mr Chung's candidacy. In an interview on his campaign bus, he said Mr Chung's career had not contributed to the development of democracy and that his candidacy had corrupted politics. Mr Chung, he said, "has not been able to distinguish between the corporation and politics".

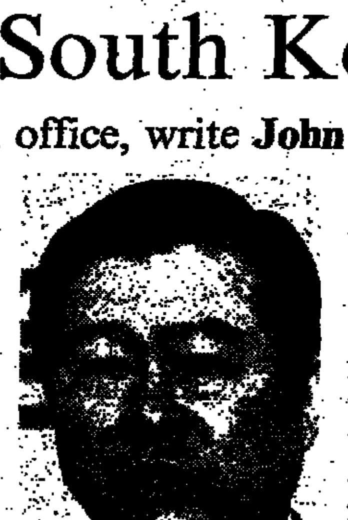
"He is using all his employees and even his subcontractors as party members.... He is promoting money politics in the election."

But Mr Kim is also calling for fairness in the supervision of the elections. He says the ruling Democratic Liberal party is also guilty of violations and that the government probe is a biased attempt to prevent him from winning. The government insists it is neutral.

Though there are similarities between the platforms of the three main candidates – they all promise deregulation of the economy to boost flagging growth – Mr Kim Dae-jung is emphasising improvements in social welfare and a reduction of regional divisions within South Korea, as well as improving the popular image of bickering, ineffective politicians. He says he would offer 10 out of 26 ministerial positions to the other main parties.

He wants a phased, peaceful re-unification with North Korea and sees foreign policy continuing to be based on a close relationship with the US, with Washington remaining as the stabilising influence in east Asia.

Mr Kim suffers from a perception among voters that he is too old a face and, because of his struggles with the military, that he has radical anti-establishment views. This is despite attempts to re-model his image and his clear espousal of free-market economic policies. He argues that his close association with the trade union movement would help him reduce the industrial strife which has convulsed Korean industry since democratic reforms five years ago.



Kim Dae-Jung: too much past?

By contrast, Mr Chung's non-political career and his success in business appear to be winning him votes. To many Koreans, he personifies the country's rags-to-riches story. Because of his huge fortune – he says it is $4bn – they feel that he is unlikely to become enmeshed in the corruption which pervades Korea's political system.

Calling himself the "economic president", Mr Chung strikes a chord with his promises of very rapid economic growth, low inflation, projects to improve infrastructure, low housing rents and rapid deregulation.

"I would like to reduce government control and leave everything in the hands of the marketplace," he said in an interview.

Perhaps what is most surprising, he plans to eliminate the economic system on the back of which he and Hyundai prospered. He would stop cheap loans to the chaebol and break them into more autonomous units to achieve greater efficiency.

"When the country was small, we needed to combine together to compete against larger companies. Now we need to break them up in order to achieve international competitiveness."

Mr Kim Dae-jung, like many politicians, dismisses Mr Chung's rough-and-ready prescriptions and bold promises as "baseless". But there is no doubt that they are exciting voters who profess disillusionment with the political process and yearn for strong leadership. If one of the opposition candidates wins, his challenge will be not only to spearhead economic development, but also to build greater faith in democracy.

Hungary buys US military hardware

By Nicholas Denton in Budapest

THE US has agreed to supply military hardware to bolster Hungary's air defences following repeated breaches by jets from neighbouring Yugoslavia.

The arms sale, the first by the US to a former Warsaw Pact nation, involves "identification-friend-or-foe" (IFF) equipment and is worth $12.9m (£8.4m). Under the deal US suppliers will deliver four ground-based radar stations and electronics for 118 military aircraft.

The equipment will allow the Hungarian air force to leave the IFF system inherited from the communist Warsaw Pact and to distinguish the country's own planes from those of former allies.

Hungary's need for firmer air defences became apparent a year ago when war in Yugoslavia spilled over the border and a series of territorial violations culminated in Yugoslav aircraft bombing the southern Hungarian town of Barcs.

The agreement also demonstrates Hungary's success in establishing close security ties with Washington in advance of eventual membership of the North Atlantic Treaty Organisation, Budapest's goal.

The purchase from the US comes within a month of deals for military spare parts from Germany and Russia.

Hungary maintains its military acquisitions are defensive and do not change the regional balance of power, which remains strongly in favour of the country's neighbours.

● Sikorsky, the US-based helicopter manufacturer, yesterday signed a $1.1bn deal with Turkey for the sale and co-production of Black Hawk helicopters, AP reports from Ankara.

Sikorsky will deliver 45 helicopters to Turkey in nine months, and a further 50 helicopters will be co-produced in Turkey over four years.

Turkey, which has been stepping up efforts to modernise its military, will also receive 50 A-10 fighter aircraft and 100 Cobra helicopters from the US over the next five years.

Recovery is in place, but taking its time

Productivity-led growth likely for US, writes Michael Prowse

TWICE in the past two years US economic recoveries have lost momentum in spite of promising signs of faster growth. It is hardly surprising, therefore, that president-elect Bill Clinton is treating the latest evidence of an upturn with caution.

"We may or may not be coming out of our recession," he told students in Chicago this week. "There are some good indicators that we are."

In fact few forecasters doubt that the US has emerged from recession: gross domestic product has grown every quarter since the spring of last year. The debate centres on whether the economy is at last emerging from a prolonged bout of stagnation that encompassed almost the entire Bush presidency.

Real GDP growth has averaged less than 1 per cent a year since 1989. Even if the faltering upturn that began in May 1991 is taken as the starting point, growth has averaged less than 2 per cent, or about a third the pace normal in the early stages of US recoveries.

Revised figures indicating growth at an annual rate of 3.9 per cent in the third quarter and a flurry of encouraging short-term indicators – such as recent jumps in consumer confidence, factory orders, and the Purchasing Managers' Index – have prompted speculation that the economy is now moving up a gear.

Some of the structural drags on growth do seem to be easing. Lower interest rates and repayment of old debts have reduced the fraction of personal and corporate income absorbed by debt service, allowing both sectors to spend a little more freely. Real corporate profits were up by nearly a quarter in the third quarter relative to the same period last year, reflecting, in part, faster growth of productivity than wages.

Mr David Hale, chief economist at the Kemper group in Chicago, points out that bank profitability and capital ratios have also strengthened sharply, allowing an easing of the "credit crunch". There is anecdotal evidence, he claims, of an upturn in bank loans to small and medium-sized companies – the sector responsible for the bulk of job creation in the 1980s.

But the improvement is recent and modest; and growth is likely to be restrained by other structural weaknesses. "There are too many drags on the economy for a normal recovery to occur," say Roger Brinner and David Wyss, economists at DRI/McGraw Hill, the forecasting group. They fear that defence cuts will hold back recovery in many regions: defence spending as a share of federal expenditure is projected to fall from 27 per cent last year to 17 per cent in 1995.

They predict continuing softness of commercial real estate owing to chronic overbuilding in the 1980s. And, like most other forecasters, they are pessimistic about US exports, one of the main engines of recent growth. Demand is slowing in many important markets, including Europe, the Far East and Mexico.

But with domestic consumption accounting for two-thirds of economic activity, the spending proclivities of the US consumer will dominate the economic outlook. In the third quarter, consumer spending grew at an annual rate of 3.7 per cent, and retailers are predicting a merrier Christmas than in 1990 or 1991. Yet doubts persist about the sustainability of personal spending.

The savings rate fell sharply in the third quarter to 4.5 per cent, against 5.3 per cent in the second quarter. A further decline seems improbable. Consumption will thus be determined by growth of incomes. And the perceived stumbling here is the continued sluggish pace of job creation.

Last Friday the Labour Department reported the fifth consecutive monthly decline in the unemployment rate, to 7.2 per cent. But most of the fall in unemployment since the summer reflects a contraction of the labour force rather than new job creation. Private-sector employment has been roughly flat since the spring of last year, in stark contrast to previous recoveries.

"The economy is probably still tracking the 1.5-2.5 per cent growth pace of the past year," concludes Mr Paul Mastroddi, a senior economist at J.P. Morgan, the New York bank. In keeping with most forecasters, however, he predicts a gradual acceleration of growth to 3 per cent or more in the second half of next year.

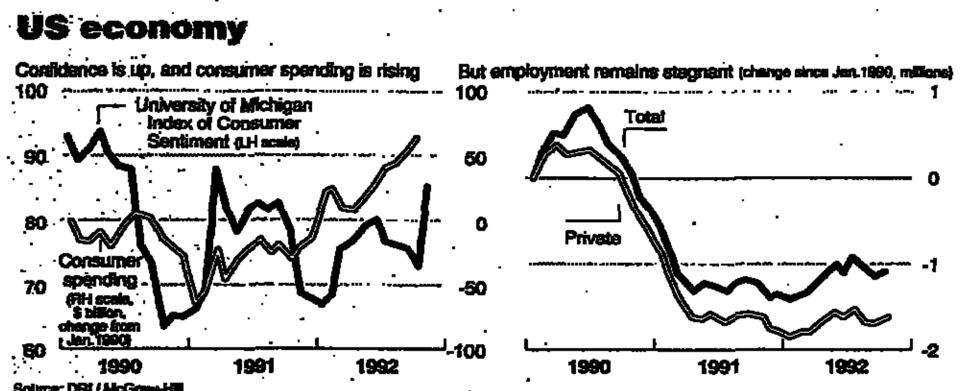
The possibility of a faster recovery should not be ruled out: once consumer and business confidence returns, the US economy has a habit of snapping back faster than expected. But the likeliest prospect is the kind of steady, productivity-driven recovery experienced by European economies in the 1980s. In such recoveries, unemployment tends to stay relatively high.

Such a recovery would suit Mr Alan Greenspan, chairman of the Federal Reserve, who hopes to make further progress towards stable prices in his second term. With inflation only just beginning to dip below 3 per cent, the Fed is unlikely to cut interest rates again and could raise them in the second half of next year.

For Mr Clinton's economic team, however, the figures pose a dilemma. The recovery is strong enough to make anything more than a token fiscal stimulus next year look risky. Yet it may be too sluggish to convince most Americans that he has turned the economy around. How Mr Clinton resolves this dilemma will be the first big economic test of his presidency.

Bill Clinton delivers his optimistic address to Chicago students

US economy



Source: DRI/McGraw-Hill

Democrats poised to grant Clinton long honeymoon on the Hill

By George Graham in Washington

DEMOCRATIC congressmen yesterday predicted a "long honeymoon" for Governor Bill Clinton after a morning meeting with the president-elect on Capitol Hill.

"Democrats on the Hill are starved for someone to get along with at the White House. Bill Clinton's going to find no stubbornness up here," said Congressman Pat Williams of Montana.

But Republicans promised confrontation to the incoming president, signalling their intentions by ousting the moderate Congressman Jerry Lewis of California from chairmanship of the House of Representatives Republican Conference, the party's third-ranking leadership position, in favour of Congressman Richard Armey of Texas, a more pugnacious right winger.

Mr Clinton has already held a series of meetings with leaders of both parties in Congress as well as with the 110 first-time members, who some have likened to the independent and reform-minded group of congressmen elected in 1974 in the wake of the Watergate scandal.

The "freshmen" have made their presence felt by interviewing committee chairmen seeking re-election, a tactic last adopted by the Watergate class. But early results from party caucus elections suggest that only minor cracks are likely to emerge in the traditional congressional power structure, where seniority counts for almost everything.

True, 82-year-old Congressman Jamie Whitten of Mississippi, who can trump anyone on seniority by virtue of 51 years' continuous service, was ousted from the chairmanship of the highly influential appropriations committee. But Mr Whitten will be replaced by Congressman Bill Natcher of Kentucky, who at 83 is even older, but healthier.

Most other committee chairs appear safe, although a battle is brewing for chairmanship of the budget committee, which would fall open if, as many expect, Congressman Leon Panetta is named director of the Office of Management and Budget.

The race is expected to pit Mr Charles Stenholm, a fiscal conservative from Texas, against the more left wing Mr Martin Olav Sabo of Minnesota, with Mr John Spratt of South Carolina somewhere in the middle.

Brazil to act over surge in kidnaps

By Christina Lamb in Rio de Janeiro

IN AN attempt to crack down on a new wave of kidnappings in Rio de Janeiro, the Brazilian Congress is to vote this week on a project to freeze the assets of captives' families.

An Interpol conference last week said Rio was becoming the world centre of kidnapping. The city has a record number of 10 people in captivity, two of whom have been held for two months, while 146 cases have been registered this year.

Mr Mauricio Corrêa, the law minister, admits: "It's like a raging epidemic."

Multinationals, such as Land Rover, planning to invest in Brazil are bypassing Rio as unsafe. The head of one foreign bank in São Paulo said: "Five years ago we couldn't get people to move from Rio. Now, no one wants to stay."

Victims are usually leading businessmen or socialites, or their relations, with the real number of kidnappings believed to be far higher than the 360 registered in the last three years. Many are not reported for fear of a repeat.

The kidnappers are well armed, with imported weapons and cellular telephones, and are controlled by the Red Command, the city's main organised crime gang. Evidence is also emerging of police involvement.

Mr Sergio Quintella, a local businessman whose son was released last week on a $330,000 ransom after 49 days in captivity, has made a public appeal for people to come forward with information.

Some victims are starting legal action against the Rio state government for "omission", but Mr Nilo Batista, the state security secretary, said: "Kidnapping is one of the hardest crimes to prevent. In Italy it took 10 years to bring under control."

It is increasingly common to see local business people accompanied by security guards and driving battered vehicles, leaving smart cars in the garage.

Japanese investors forced to watch bottom line

Yield is guiding funds abroad, writes Robert Thompson

THE European and US companies still agonising over that first, tentative investment in Thailand or Malaysia have been left far behind by Mr Toshihiko Sekimoto, Asian general manager at Itochu, the Japanese trading house.

"We may be reducing our projects in Thailand. We have found it difficult to transfer technology and know-how to our Thai factories. We are very interested in Vietnam. India could be interesting," Mr Sekimoto says.

His comments reflect the changing emphasis of Japanese foreign direct investment, often motivated by a ill-defined desire for expansion or in the hope of reducing trade friction and elevating the corporate profile. Now, earnings are falling at home, capital costs are rising, and the stress is on profitability.

These changed circumstances are behind a 27 per cent fall in investment last fiscal year and a further 12 per cent in the first half this year. Companies are reviewing locations and project types – the US and continental Europe are out of favour, developers are selling not buying property, and manufacturers' priority is cheaper production of or assembly of components.

Figures compiled by the ministry of international trade and industry show that the average return on sales for Japanese investment projects in Asia has been 3 per cent and in Europe 1 per cent, while investments in the US are showing a return of -0.1 per cent. For manufacturing projects, Asia is showing a 5 per cent return, Europe 3.2 per cent and the US -0.9 per cent.

Poor yields on foreign investment could be easily tolerated in the late 1980s, when sales were surging at home, and the gravity-defying Tokyo stock market provided funds at close to zero cost and allowed companies to supplement core earnings with quick profits on stock sales.

However, Nikko Research estimates that manufacturers' operating profit margin this year will average 3.1 per cent, down from the previous lows of 3.2 per cent in 1986, post-Plaza Accord (which caused a sharp rise in the value of the yen), and the oil shock-affected 4.5 per cent in 1975.

One side-effect of the "bubble era" was an expansion of investment within Japan by the electronics, machine tool, and car industries, which have suffered some of the largest falls in profit over the past year and are under extreme pressure to relocate facilities in lower-cost countries.

Mr Yuji Hosoya, deputy director of international business at Miti's industrial policy bureau, says the erosion of core profits has forced manufacturers into "survival" investment elsewhere in Asia. That trend can be seen in the jump in Chinese projects from 165 in 1990 to 246 last fiscal year.

Over the same period, Asian countries' share of new Japanese direct investment rose from 12.4 per cent to 14.3 per cent, the US share declined from 45.9 per cent to 43.3 per cent, and Europe from 25.1 per cent to 22.5 per cent – the UK share fell from 12 per cent to 8.6 per cent.

The pace of change has quickened markedly this year. Investment in China is likely to double from the $579m of 1991, while investment in continental Europe is expected to be about 30 per cent lower, with a smaller decline in the UK. Asia is generally an increasingly popular site for new projects, but companies are more strategic in choosing a site for investment, and no longer motivated by the desire for a factory in every country.

In emphasising the need for better returns, Mr Sekimoto explains that Itochu has a textile spinning mill in Thailand and another in Vietnam. The Thai plant has about 2,000 local employees and requires 22 Japanese specialists, while the Vietnamese plant has 1,700 staff and no permanent Japanese managers, but is 2.5 times larger than the Thai factory.

He says lower salaries in Vietnam add to the attraction of that country as an investment site: "A monthly salary in Thailand is between $70 and $80, but in Vietnam it is $20. The Vietnamese are twice as productive, which makes them eight times cheaper than Thai workers."

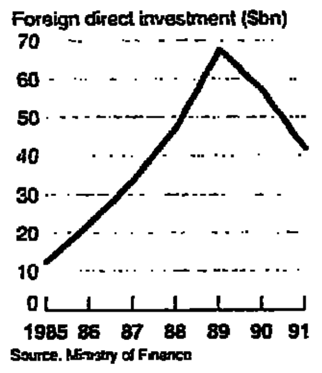
Japanese companies are keen on China because of increasing access to the flourishing domestic market and because it is suitable low-cost centre for assembly or components production for the international market. They are not rushing to sign contracts in Hanoi, as concerns remain about infrastructure and legal protection, but Vietnam will experience a long-term increase in investment while the flow of money slows to other countries.

The resumption of Japan's official development assistance to Vietnam last month provided extra encouragement to investors.

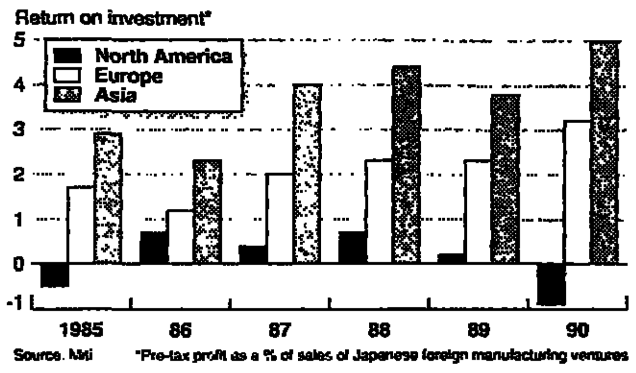
Mr Sekimoto provided another clue to the future flow of Japanese funds in Asia. He has devised a rough scale of worker productivity, based on his experience with projects in the region – Indonesia and Malaysia are at the bottom, rating a 1, India and Sri Lanka 1.5, Thailand 2, Japan and China 3, Korea 3.5, and Vietnam 4.

"One thing I found in Bangkok is that some workers would leave us after only a year and boast that they had been trained by a genuine Japanese company. It is important that workers want to go on learning," he said. "If you go to Vietnam, there are a lot of book shops. They are always wanting to learn."

Japan



Source. Ministry of Finance



Source. Miti *Pre-tax profit as a % of sales of Japanese foreign manufacturing ventures

France targets third world

By William Dawkins in Paris


Sapin: recognised constraints

FRANCE is planning to increase its development aid budget to help stimulate third world markets, Mr Michel Sapin, its finance minister, said yesterday.

By the end of the decade annual aid spending would be raised from last year's 0.56 per cent of gross domestic product, or FFr30bn (£3.64bn), to 0.7 per cent, he told a meeting of advisers from the Direction des Relations Economiques Extérieures, the state foreign trade board.

Its current aid budget, which has risen by 6 per cent a year over the past decade, is already well above the 0.31 per cent average for the Group of Seven richest industrialised nations. "We are aiming to ensure durable development in these countries," he said.

At the same time Mr Sapin recognised that budget constraints would oblige France to be more selective in channelling aid. Concessional finance would be limited to the poorest countries. Sales to other markets would be offered export credit insurance through the Coface state organisation according to those countries' risk premiums.

Mr Sapin was speaking on the second of a five-day gathering of the trade board's 172 foreign-based economic councillors, called as part of a campaign to improve its sensitivity to the needs of French exporters and companies planning foreign investments.

Japanese tips for chip makers

By Michiyo Nakamoto

THE first Japanese trade mission to Europe of semiconductor users has arrived in Paris to teach European microchip manufacturers a few tricks on how to sell their goods in the fiercely competitive Japanese market.

"I believe the Japanese semiconductor market is open and freely accessible," said Mr Nobuo Kanoi, executive deputy president of Sony, the Japanese consumer electronics and entertainment group, who is heading the mission.

Poor communication has meant Europeans are not well enough informed of Japanese market needs while the Japanese often do not know what Europe has to offer.

Europe's share of the Japanese chip market is estimated at between 1-3 per cent. This compares with about 16 per cent of the European market held by Japanese companies, according to Dataquest, the high-technology consultancy.

As well as insufficient information about what Japanese users require, European suppliers are hampered by a lack of recognition in Japan. They also need to meet Japanese standards in terms of delivery and after-sales service.

For example, Sony has difficulty obtaining European components for miniaturised consumer electronics products, such as the Walkman, which are key Sony products, said Mr Klaus Wangerin, general manager of European procurement at Sony Europe.

Mr Ernie Pusey, sales and marketing director of GEC Plessey Semiconductors, the UK company, believes the secret of success in Japan "is having Japanese people on the ground employed by your company". Engineers who speak Japanese are crucial.

Having unique products also helps. GEC, which manufactures specialised rather than commodity products, has seen sales in Japan double to about 4 per cent of total turnover and expects the same in the current year.

So far there is no official target for European market share in Japan, although an unofficial figure of 5 per cent is talked about.

Steel back in the melting pot

By Nancy Dunne in Washington

SINCE announcing the restart of the Multilateral Steel Agreement talks – in Geneva today – US trade officials have steadfastly denied any connection with the 84 dumping and subsidy cases filed by the nation's steel industry.

They say they want to break the cycle of trade cases and restraint agreements, but to do so they must provide effective disciplines on trade distortions. The MSA talks are to deal with future dumping and subsidies, while the steel cases are considered protection against uncompetitive practices.

When the talks broke down on March 31, the negotiators had generally agreed on phasing out tariffs over a 10-year period, prohibiting non-tariff barriers and setting up a mechanism for settling disputes.

However, the talks foundered on the EC's wish that subsidies be allowed to continue for research and possibly for development, plant closure, workers' assistance and environmental compliance. The US also refused to give advance notification before unfair trade cases were filed.

Breakdown coincided with the end of seven and a half years of quota protection for the US industry, leaving it free to pursue unfair trade complaints. Many analysts expect demands from foreign governments for further political "suspension agreements" – resulting in market-sharing of sorts in exchange for the dropping of the unfair trade cases – after the Commerce Department announces steep dumping margins next month.

Steel producers insist they will follow the cases to their conclusion and will not be pushed into accepting a deal.

The International Trade Commission, which must find evidence of injury before anti-dumping and countervailing duties are made permanent, cannot be relied on for support.

US steel prices are very depressed, but the cause could be attributed to the recession and over-supply rather than foreign steel. It is not impossible that, under pressure from a new administration, the industry will agree to quotas, providing price floors are built in.

Halcrow in HK project

HALCROW Asia Partnership has won the contract to design two stretches of railway tunnel, totalling 2.65km, between Hong Kong and the new airport at Chep Lap Kok, Andrew Baxter writes. The company is part of Halcrow, one of Britain's largest consulting engineers. Construction should begin in about 12 months.

Malaysian power

Tenaga Nasional, the partially privatised Malaysian electricity utility, has signed a M$272m ($109m) contract with Marubeni of Japan to build a gas turbine power plant, writes Kieran Cooke in Kuala Lumpur. Construction will start immediately at Malacca on peninsula Malaysia's west coast, and is due to be completed by the beginning of 1994.

OECD EXPORT CREDIT RATES

Minimum interest rates for officially supported export credits (%)

	Dec 16-Jan 14	Nov 15-Dec 14
D-Mark	8.16	8.24
Ecu	9.18	9.35
French franc	9.33	9.77
Guilder*	8.30	8.35
Guilder#	8.30	8.40
Guilder†	8.45	8.60
Italian lira	13.16	14.28
Yen	5.50	5.30
Peseta	14.02	14.61
Sterling	8.10	8.80
Swiss franc	7.18	7.37
US dollar*	6.14	5.64
US dollar#	7.04	6.60
US dollar†	7.49	7.15

*Up to 5 years.
#Five to 8½ years.
†More than 8½ years.
These rates are published monthly by the Financial Times, normally around the middle of each month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for longer than 120 days. SDR-based rates of interest are the same for all currencies. The SDR-based rate was changed on February 15 to 8.18 per cent. It will be subject to change on January 15, 1993.

Britain in brief

Olympic arena wins £35m grant

The government announced the largest city grant for a single project - £35.5m towards an indoor arena as part of Manchester's bid to stage the 2000 Olympic games.

The £50m arena will be part of a £200m redevelopment of Manchester's Victoria Station - a city centre rail terminus - by Vector Investments, part of the Bovis construction group.

Plans include a glassed-in concourse with shops and cafes, a 46-storey tower block housing a 1,000-seat conference centre and offices, with a five-star hotel on the top 12 floors.

Ulster bomb costs to be met

The Treasury is to underwrite any extra costs incurred this year by the Northern Ireland Office in compensating for terrorist damage in the province – but is still resisting any help for insurers on the UK mainland, saying there is no parallel between Ulster and the situation on the mainland.

French trawlers meet blockade

Fishermen continued their blockade of Lochinver, in Sutherland, west coast of Scotland, to keep out French trawlers.

Fifteen boats were lashed together across the entrance to the harbour. A large French vessel with engine trouble lay inside the blockade and eight 60-metre French boats were outside the harbour. None tried to beat the blockade.

The Scottish fishermen are angry about EC rules which allow foreign boats to land haddock and cod at Lochinver when local vessels are prevented from doing so because they have filled their European fishery quotas.

Lawyers back plea bargains

Nearly 90 per cent of barristers (lawyers who appear in higher courts in England and Wales) and two-thirds of judges are in favour of the introduction of a formal system of plea bargaining according to a survey of Crown Court trials conducted by the Royal Commission on Criminal Justice.

The study, based on questionnaires to all the participants in every Crown Court trial in England and Wales during the last two weeks of February, found almost unanimous approval for the jury system.

TSB to cut 400 jobs again

The Trustee Savings Bank disclosed that it expected to nearly double the number of staff redundancies caused by the merger of its banking and insurance operations by making 400 junior branch managers redundant in the new year.

The bank, which announced last month that it was making 440 staff redundant, said the merger of operations into TSB Retail Banking and Insurance together with the downgrading of 200 branches had left it with surplus junior managers.

Ford car price rise provokes wide protest

By John Griffiths

FORD yesterday announced plans to increase car prices by between 4½ per cent and 10 per cent, surprising the industry and provoking consumer group and political protests.

Ford, which has been heavily lossmaking and whose UK market leadership is under severe pressure, blamed the increases on sterling's devaluation and other cost increases.

The price rises, effective from January 3, are larger than any so far imposed or indicated by other manufacturers, even German importers most badly hit by devaluation.

They drew protests from the Consumers' Association and opposition politicians that Ford appeared to be seeking to lead a move for the industry, not consumers, to reap the benefit of the recent abolition of 5 per cent special car tax.

Ford rejected the allegation, claiming: "Our costs have risen far more than the increases we have put forward as a result of the devaluation."

Nevertheless, its move was being seen as a potentially risky gamble by some industry analysts last night. Vauxhall is challenging its leadership. With other rivals professing little inclination towards further rises, Ford may find itself isolated while bearing the brunt of consumer criticism over the already stormy issue of perceived high UK car prices.

Rover Group said it had no plans to raise prices, as did Vauxhall, which announced a 3.25 per cent rise just before car tax was abolished.

German manufacturers have already put up prices and may increase them further in the New Year. However, BMW and Mercedes have indicated ceilings of around 6 per cent.

Sterling has been devalued by about 11 per cent against the D-Mark and Ford UK, which lost $761m last year, has undoubtedly been hurt by it.

Even so, its £214m balance of trade deficit last year was arrived at after imports totalling £2.48bn were mostly offset by exports of £2.27bn. So arguably its has been less badly hit than some rivals.

Mr Stephen Locke, the Consumers' Association's director of policy, said last night Ford's move "confirms all our worst fears about the manufacturers' desire to see the UK as a high-price, high-profit market."

Prof Garel Rhys, professor of motor industry economics at Cardiff Business School, suggested the rises may indicate a strategy change by Ford. "It may well mean that, having accepted that its once-traditional 30 per cent share is history, it has decided that even a 25 per cent share is not worth buying and that it is better to settle for 20 per cent with sales that are profitable."

With Ford reportedly planning to cut up to 10 per cent of its 97,000 European workforce soon, its apparent willingness to trade sales for higher prices seems likely to renew speculation about whether it might be preparing the ground for a plant closure.

But this remains extremely unlikely. Ford has consistently denied any such intention and most analysts believe that a longer and deeper European car market recession than is currently forecast would be needed to justify any major closure.

Generators may have to burn more coal

By Michael Smith

LAWS requiring electricity generators to use more coal are among options being considered by the government in its efforts to keep open some of the 31 coal pits earmarked for closure.

Mr Michael Heseltine, secretary for state for trade and industry, also disclosed yesterday that his department is looking at cutting the cost of British coal through subsidies or further levies on consumers.

He told MPs that it was a "genuinely open review" and that the government had not reached views on any of the 15 areas for action which had been identified by the review team.

Many of the options, however, were subject to European Community and international constraints.

Those constraints were highlighted separately yesterday when Mr Cardoso e Cunha, European energy commissioner, told a House of Commons select committee that the UK would have to reduce the nuclear levy, raised among electricity consumers, if it wanted to subsidise coal.

The review is likely to include consideration of the "dash for gas", Magnox power stations, and electricity prices. Other areas for investigation include:

● Reducing coal cost production through changing working practices and privatising pits.

● Trade in coal, through increasing exports of British coal and substituting imports, and in electricity, through the interconnectors.

● The impact of environmental commitments, including those relating to carbon emissions and desulphurisation, and opencast mining.

Police yesterday launched an investigation into an arson attack which destroyed the Shree Krishna Hindu temple in West Bromwich, in the English Midlands. Other attacks against Hindu centres came in Birmingham, Bolton, Bradford, Coventry and Derby. Meetings were held to allay fears that tensions in India, following the destruction of the mosque in Ayodhya, might spread to the UK.

SURVEY OF INTERNATIONAL FUEL COSTS

Gas price up 4.2% for industry users

By Deborah Hargreaves

LARGE industrial users of gas in the UK have seen their fuel costs rise by 4.2 per cent in the past year while British Gas has been cutting prices to domestic customers. The increase was the second highest recorded in a survey of international gas prices by National Utility Services.

British Gas has raised the price for companies receiving an interruptible service which means they can be cut off at short notice and for which they have traditionally paid very low prices.

"Any UK manufacturing company on an interruptible contract would not be at a competitive advantage compared with its competitors in the countries we surveyed. In fact it would be at a major disadvantage," said Mr Andrew Johns, director of NUS.

Overall, the UK ranks sixth out of nine countries when comparing the price charged to business users. But NUS stressed that it is in the bulk-volume, low price sector of the industrial market which has not been penetrated by rivals to British Gas, where prices are rising most rapidly.

German industrial users, however, have seen their gas costs reduced by 22 per cent over the last year. The UK was beaten only by Belgium which raised gas prices by five per cent last year. Sweden is the most expensive country in gas costs to big users.

Mr Ian Powe, chairman of the Gas Consumers Council, who warned on Monday that big users would face substantial price increases said: "(the survey) tends to confirm the view that some sectors of the industrial market are seeing no benefit from competition."

Mr Cedric Brown, chief executive of British Gas, stressed that domestic prices for gas had fallen by over 20 per cent in real terms since 1986. At the same time, contract prices (to non-interruptible industrial users) had dropped by 25 per cent in real terms.

Meanwhile electricity bills in England and Wales should see a small reduction starting next April as a result of a cut in the fossil fuel levy.

Prof Stephen Littlechild, the electricity regulator, announced yesterday that the levy on bills will be cut from 11 per cent to 10 per cent. He said: "This should help suppliers keep prices to customers down."

● British Petroleum is to cut petrol prices by 13.6p a gallon – 3p a litre – with effect from midnight tonight, ending the steady increase in prices since September.

The reduction reflects falling oil prices and the strengthening of sterling against the dollar. World oil prices have fallen by almost $3 a barrel since October.

● Construction of a £290m gas pipeline link between Scotland and the Irish Republic will begin in February following yesterday's signing of an agreement in Dublin. The project to lay the 179-mile pipeline – most of which will be on the Irish seabed – got the government go-ahead last year.

Treasury includes fierce critics in panel of outside advisers

The British Treasury is breaking with convention by appointing a panel of outside economists to advise it on the economy.

The panel includes some of Britain's best known economists, including some who have been fierce critics of the Treasury's record on economic management during the late 1980s boom and the continuing recession.

The panel will meet three times a year and give a range of views on the economy to officials, headed by chief economic adviser Alan Budd. A detailed report will go to Mr Norman Lamont, the chancellor of the exchequer, and another report, almost certainly not the same one, will be published.

Behind the idea of the panel, which is to meet for the first time in January or February of 1993, are the attacks on the Treasury for misreading the economy over the past few years and getting its forecasts wrong.

By opening up the department to a greater range of outside views, the Treasury hopes to take practical steps towards better understanding of economic trends.

The panel's establishment is expected to counter criticism that the Treasury's management style is too introspective. It is also hoped that it will counter criticism that not enough weight is given to opinion from non-government economists.

Prof Patrick Minford of Liverpool University

Former Treasury economist and another member of the monetarist Liverpool Six. Like Congdon, scornful of Treasury performance in analysing the economy but disagrees with him about the correct way to measure the money supply. Ardent free-market thinker who says he would have liked to have been Gladstone, the tariff-cutting 19th-century UK chancellor of the exchequer. More accurate than most economists in recognising early on the extent of the recession, but was not particularly prescient in warning of the late 1980s boom.

Prof Wynne Godley of Cambridge University

Arch-dissident of the economics profession. Has since the 1970s predicted long-term problems for the UK economy arising from weakness in manufacturing and tendency for UK to suffer large current-account deficits. Nicknamed "Gloomy Boots" by some of his students, his lectures can sometimes be hard to understand. His forecast in May 1991 that the UK economy would contract by 2.7 per cent last year and by a further 0.9 per cent this year has turned out more accurate than any other projection made by a mainstream British economist.

Gavyn Davies, chief UK economist, Goldman Sachs

The thinking person's economist; former Downing Street adviser in 1970s Labour government; since made his fortune with one of the world's top-rated investment banks. Rarely at a loss for a cogent phrase on the economy, Davies is one of the slickest performers in forecasting and is highly rated in the Treasury. Was too quick to forecast an imminent recovery at the end of last year; now reckons demand picking up but likely recovery next year will probably be patchy. Sees opportunities for further cuts in interest rates to help an upturn.

Prof David Currie of the London Business School

Well-connected economist who in mid 1980s informally advised Mr Roy Hattersley, then Labour shadow chancellor. Has advised the Treasury, Bank of England and International Monetary Fund and is now in fifth year of running LBS's economic forecasting unit. In recent years LBS's forecasting record has been poor, although the inclusion of Currie in the panel and its exposure to competitive forces in the forecasting business might sharpen up the unit's performance. On good terms with Sir Terry Burns and Professor Alan Budd of the Treasury.

Andrew Sentance of the CBI, the employers' group

At 34, the youngest member of the forecasting panel. Has worked for six years in CBI's economics department, now director; noted for his ruminative style but not the most scintillating public speaker. Did his doctorate at London School of Economics on "government as an employer". Before that was management trainee at National Coal Board, and a manager at a petrol station. Has led CBI research in past two years on putting the case for more government action to help manufacturing. Also an expert on government statistics.

Andrew Britton of the National Institute

Thoughtful though somewhat dour economist who for past 10 years has headed what is probably Britain's best-known economic forecasting organisation outside the Treasury. Interested in important though not always fashionable areas such as factory training. Worked for Treasury for 16 years but not afraid to criticise it; thinks it should be split into two to separate public spending and economic policy roles. Patchy forecasting record. Among relative optimists about growth next year, which he thinks could be up to 2 per cent.

Prof Tim Congdon of Lombard Street Research

Former journalist on The Times who has shot to prominence in recent years for monetarist theories and fierce criticism of Treasury's analysis. Started forecasting in mid 1980s with London stockbroker L. Messel, and warned of high inflation in late 1980s as a result of housing boom. Over past three years has turned out trenchant comments about economic scene under the banner of his own independent economic research body. Member of Liverpool Six, monetarists who campaigned for UK to leave the European exchange rate mechanism.

Britain exhibits classic signs of depression

Emma Tucker puts the economy in the psychologist's chair in pursuit of a cure to the illness of recession

THE UK is behaving like a depressed person, immersed in the gloom of recession.

The small incentives offered by the government in the Autumn Statement are not enough to chivvy it out of its economic sluggishness.

This, at least, is the diagnosis of a number of social psychologists. The media reinforces harsh messages so that even those with safe jobs and safe homes have become nervous.

This does not mean that cheerier news bulletins would jolt us out of our economic torpor. After all, the chancellor of the exchequer Norman Lamont's promise of "green shoots" of recovery last year probably made things worse by increasing the level of cynicism among consumers and businesses.

Psychologists addressing the issue of consumer confidence believe it will take a long time for the country to break out of its recessionary frame of mind.

Dr James Thompson, senior lecturer in psychology at London University, believes we are heading for the decade of "making do". The classic "freeze" response to fear has enveloped us as a nation. The insecurity, he says, is compounded by people feeling they have been conned by various statements about the economy.

Caution among consumers is matched by prudence in the financial and business world. Mr Nigel Nicholson, director of the Centre for Organisational Research at London Business School, points out that risk-takers retreat into the woodwork during a recession leaving only the boldest of entrepreneurs to take risks.

Here another vicious circle develops. "Entrepreneurs go to banks which are peopled by non-risk takers. They become even more cautious during a recession, so it is very difficult to raise finance." Mr Nicholson argues that coming out of recession requires boldness on the part of people who are institutionally cautious.

"We can rely on entrepreneurs to get us out of recession, but only if they are supported by the people with the funds," he says. "Risk takers will still look for risks to take even in a situation where there are not many."

The success of the risk takers will gradually spread, as they are imitated by more cautious members of society. He is confident that the process will take its natural course.

Dr David Good, a social psychologist at King's College Cambridge, is less certain. The situation has become too confused this time round for confidence to take its usual recovery course, he says. "People's worlds have become muddled so that they no longer know the rules. They find they can be model employees but still lose their jobs."

Dr Good favours shock treatment. One solution, he suggests, would be the classic Keynesian approach of spending on public works. "If money is spent publicly it gets a wider appreciation and people's experience of public life - travelling, walking in the park, going to hospital - becomes less tawdry. They get a very real sense of life being nicer."

Dr Thompson is another proponent of radical change. "One has to make quite a substantial change to make people confident again," he says.

"I argue, as a psychologist, that the best way of getting confidence back is to show people there is a functional relationship between what they are doing and what the country needs," he says.

In a fragmented economy this would not be an easy task, but he believes a switch away from service industries towards exportable manufactured goods would improve sentiment. In addition, national objectives would give people a greater sense of purpose – rather as it did during the second world war.

However, fuel, food, housing and transport targets, are unlikely to become part of this government's policy.

Many retailers have concluded that there are no short-term solutions to the problems of the nation's damaged psyche and that we are in for a sober decade. Kingfisher, the stores group, has produced a report entitled Retail 2,000 which looks at the legacy of the 1980s and considers the "older, wiser and more cynical" consumer of the 1990s.

Kingfisher concludes that the result will mean an ever more cautious approach to spending, and a long period in which people live within their means, save more, buy less on credit and less on impulse.

MANAGEMENT

The radical restructuring of Britain's health service has forced managers to balance free market principles with public service ethics. **Alan Pike** reports

NHS reform is a tricky operation

Future management histories of Britain's National Health Service will devote chapters mulling over whether the use of the term "market" helped or hindered last year's reforms.

Conservative politicians certainly took fright at it – even in its tamer, modified variants such as "internal market" and "managed market" – as opponents drove home claims that the government was commercialising the service.

The term had the benefit of signalling to the managers of Europe's largest employer, with around 1m staff, that last year's restructuring went beyond previous administrative reorganisations and involved a completely new way of running the NHS.

But there remains confusion among many managers about precisely what sort of market they are in and what the norms and limits of market behaviour ought to be when managing a public welfare service. The answers to these questions will determine how the reformed NHS develops.

Duncan Nichol, the NHS chief executive, addresses the issue by introducing another variation to the lexicon of market themes.

"We are operating a social market," he says, "and while there is plenty of information about how free markets operate, we know much less about social markets. People from other public sector systems are already coming to us and trying to learn from our experience."

The NHS reforms have separated the functions of purchasing and providing healthcare and, through the establishment of self-governing trusts, given more decision-making power to local managers.

Many of the questions about the nature of Nichol's social market turn on the extent to which these managers should be allowed to behave in a free-spirited, competitive way.

"Regulating the market, developing purchasers and monitoring providers – these are the issues and it is important to achieve the right balance between them," he says.

Nichol says he "does not want to be crawling all over the thing", stifling development and vitality. "We don't want to over-regulate and lose all sense of competition." But the NHS social market exists to deliver a public service, he adds, and his central management executive must retain enough control to enable it to intervene if any local developments appeared to be against the public interest.

The balance is not an easy one to achieve but the government will try to provide a structural solution soon when Virginia Bottomley, health secretary, makes decisions about the future powers of regional health authorities and how they will fit into arrangements for keeping an eye on trusts. Some of the more pioneering trust managers expect the government to retain more involvement in the market than they would wish.

A survey published last month by Arthur Andersen, management consultants, asked senior NHS managers what they saw as their most fundamental future challenges.

While some of the responses – including handling next year's community care reforms successfully and meeting the requirements of the government's Patient's Charter – accord with Nichol's priorities for the coming year, the managers also raised "making the market function without undue influence from the centre in the face of questionable political will" as a problem.

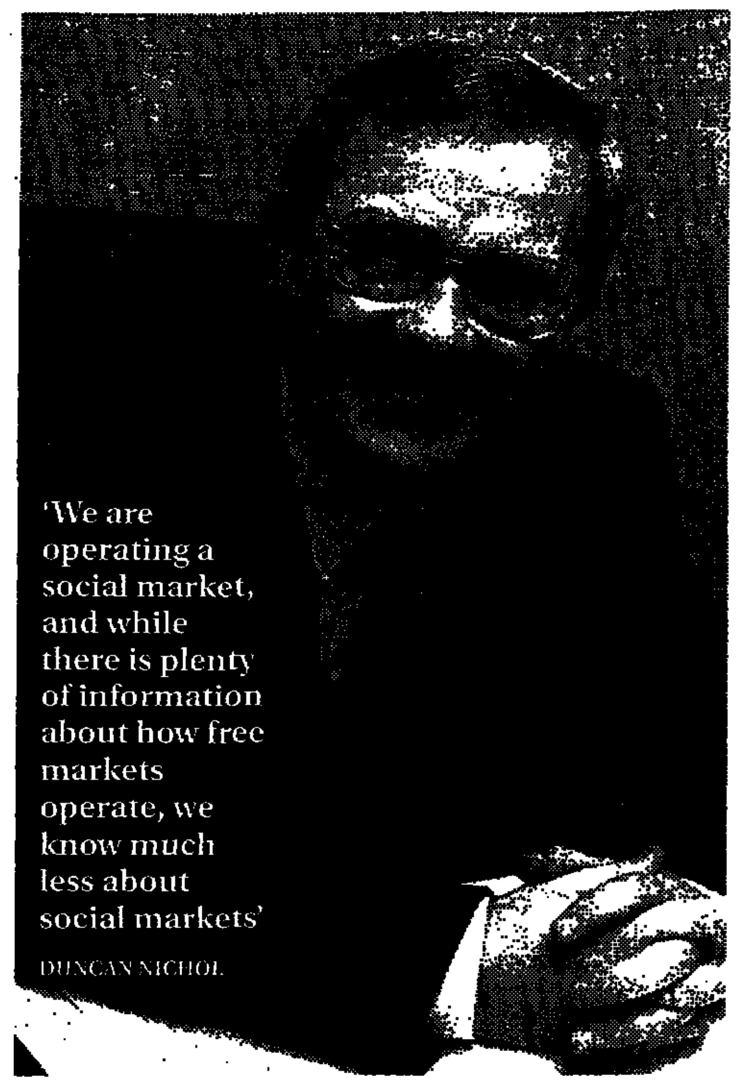
The market mentality may have already contributed to at least one undesirable side-effect in NHS management. Last summer, Nichol had to warn his management team away from adopting a "You have an hour to clear your desk" syndrome in their handling of staff changes arising from the reforms.

"It is an attitude that some people might think they are borrowing from the private sector," he told the Institute of Health Services Management conference disapprovingly.

Since then, several other local difficulties in the NHS management have received widespread publicity. John Wilby, chief executive of the London Ambulance Service, resigned following the failure of its new computerised control system.

A National Audit Office report has criticised serious shortcomings in financial controls in West Midlands and Wessex regional health authorities – in the former case over a consultancy exercise and in the latter an abortive £43m information technology programme.

The NAO report added that the transfer of part of Wessex's IT function to private companies, staffed largely by former employees, had not been in the interests of the region.



'We are operating a social market, and while there is plenty of information about how free markets operate, we know much less about social markets'

DUNCAN NICHOL

Does Nichol feel the perceived pressure of the market is again encouraging managers to believe they have to borrow values from the private sector, taking risks and gambles and adopting management styles that are inappropriate in a public service?

"I don't think it is a question of managers feeling they need to imitate the private sector. But we have been working to a very crowded agenda during the introduction of the reforms and NHS managers have to realise they must get the basics right in order to earn the legitimacy to explore the bigger agenda, he says.

"Sound management of public money and attention to administrative detail are important components of getting the basics right. The normal ethics of public sector management remain the entirely appropriate standards for managers in the NHS."

The team of front-line decision-makers in the NHS management is increasing annually. A further 128 hospitals and other services will become third wave trusts next April, taking the total to 284. Still more trusts will be formed in a fourth wave a year later.

Many of the most competent exponents of the managerial freedoms offered by trust status were among the first and second wave applicants and the sheer size of the NHS makes patchy management quality an inevitable problem.

Nichol says the criteria for deciding whether a hospital's managers were capable of taking on self-government were not lowered for the third wave. If problems arose over the 1994 fourth wave, he would prefer to take an extra year developing management skills rather than launching units into trust status before they were ready.

Next year, the unwelcome terrain of a tight financial regime will be added to the obstacle course in which Nichol's managers are trying to reach the goal of a more efficient service.

For the past three years, health has benefited from more generous annual funding settlements than most other Whitehall departments to help smooth the introduction of the reforms. Next year will be different. The best prospect – if the government's inflation expectations hold good – is for a 1 per cent real terms increase in funding.

This message has been communicated by Nichol to NHS managers, not as a policy for containment but as one for growth. He expects his management team in hospitals and health authorities to deliver a 2.5 per cent increase in treating patients.

This will be possible only if they hit what he describes as the "challenging but achievable" target of augmenting the extra government cash with another 2 per cent in efficiency savings from achievements like treating more patients with the same resources.

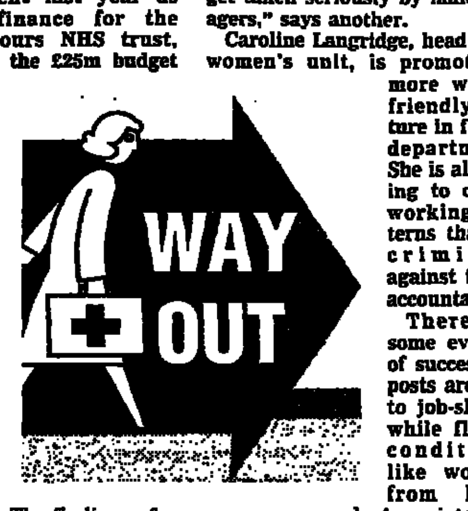
For seasoned managers, it will be just like old times. Although the structure is different, the real test of an NHS manager has always been his or her success at keeping the system running when the money is tight.

Finance chiefs called to account

Wendy Moore looks at why women accountants leave hospital jobs

The secret of attaining a top financial job within the NHS is the ability to drink, Marilyn Palmer was advised early in her career. "If you can't hold your liquor you will never be a director of finance," counselled one senior manager.

Despite eschewing what she calls the "boys' club" culture represented by such attitudes, Palmer has successfully scaled the health service ladder from her first job 12 years ago as a clerk to her appointment last year as director of finance for the Anglian Harbours NHS trust, responsible for the £25m budget of seven hospitals in Great Yarmouth.



But it is a lonely position. Figures from the Department of Health show that although 61 per cent of NHS finance staff are women, they hold just 9 per cent of the top grade finance director posts in health authorities and NHS trusts. The findings of a study commissioned by the health department's women's unit go some way towards explaining why.

The study, carried out by the Chartered Institute of Public Finance and Accountancy, shows that of 208 women who qualified as chartered accountants in the NHS between 1980 and 1990, 31 per cent have left. Of those, the biggest group – 30 per cent – went to local government, 24 per cent left to start families and 21 per cent joined the private sector.

Asked why they left, "personal reasons" were given by 20 per cent but salary came second at 17 per cent. One in five cited lack of career development or job satisfaction.

But most alarming is a general perception that women's careers are systematically blocked. More than 70 per cent of those who leave believe they faced barriers to progression within the NHS and 83 per cent of those who stay agree. Among the obstacles given are direct discrimination, outmoded attitudes, absence of childcare and a culture where long, inflexible hours – 50 to 70 a week – are the norm.

"It is generally thought that if you have a family you are no longer career minded, especially among male senior managers," says one woman. "It is difficult to get taken seriously by male managers," says another.

Caroline Langridge, head of the women's unit, is promoting a more woman-friendly culture in finance departments. She is also trying to change working patterns that discriminate against female accountants.

There is some evidence of success. All posts are open to job-sharing while flexible conditions, like working from home, are encouraged. A register has been set up of women in senior positions who want to be put forward for more senior posts. And it is now NHS policy that every job shortlist contains at least one woman candidate.

All this is meant to help boost the number of qualified women accountants and women managers. The latest figures show women slightly outnumber men in studying for accountancy qualifications in the NHS. Women make up 32 per cent of the service's qualified accountants, compared with an estimated 22 per cent a year ago.

Pat Macaulay, head of financial development at the NHS management executive, believes cultural change is the key. But it should come "naturally" as women in senior finance positions become "role models" and she rejects positive discrimination or quotas.

PEOPLE

New heads at Guinness

Tony Greener, chief executive of Guinness, who also takes over as chairman from Sir Anthony Tennant in January, yesterday announced a series of senior appointments designed to smooth the management transition at the international drinks group.

Philip Yea (right), 37, finance director of Guinness Brewing Worldwide (GBW), becomes group finance director (designate) and will progressively take over the responsibilities of Ian Duncan, managing director, finance and administration, who retires in the second half of next year.

Yea joined Guinness in 1984 and held a number of financial posts before leaving in 1988 to become finance director of Cope Allman. He returned to Guinness as director of financial control last year. Michael Kayser, GBW's business development director, will replace Yea as GBW's finance director.

Brendan O'Neill (far right), 44, managing director for the past two years of the international region of United Distillers (UD), the group's spirits company, will switch to the brewing division in February as managing director of GBW. O'Neill joined Guinness from Midland Bank in 1987 as director of financial control. He was UD's finance director from 1988-1991.

Walter Caldwell, UD's regional director, northern Europe, will succeed him as md of the international region.

Brian Baldock, 58, will remain chairman of GBW, but in his role as Guinness deputy chairman is taking on additional responsibilities for the group's public and strategic affairs, Gleneagles hotel, and Guinness Publishing.

Thoms speaks quietly on his move to Verity

Peter Thoms, newly appointed finance director at Verity Group, is suddenly much in demand. Ostensibly people want to talk to him about his new job; really they want the inside story on his old one – finance director of Amstrad, the troubled UK electronics company which founder Alan Sugar is trying to take private in one of the most controversial buy-backs the City has seen for years.

Thoms left Amstrad suddenly in July giving neither reason nor explanation. He felt hamstrung, he complained at the time, but had been asked to say nothing. Yesterday he was only a little more expansive, saying it had been an "interesting period" but refusing to comment on either his departure or the present situation at the former high-flying computers-to-video group.

A chartered accountant by training, Thoms, 47, spent 15 years with Gillette both in Canada and the UK before joining Amstrad in 1989, tempted by its entrepreneurial image.

Verity, formerly Wharfedale Loudspeakers, is noted for high quality and high prices. It is also losing money – £2.9m last year. It has just acquired Centralforce Holdings which has the Mission and Cyrus loudspeaker brand names. It is, Thoms believes, a classic turnround situation; the company now has critical mass to return to profitability, based on the acknowledged quality of British audio equipment.

■ **David Henning**, md of Vodac, has been appointed a director of VODAFONE GROUP.

■ **Peter Jackson**, md of British Sugar, has been appointed to the main board of ASSOCIATED BRITISH FOODS.

■ **Peter Bertram**, formerly European finance director and vice-president Europe of Pitney Bowes Finance, has been appointed finance director of AUTOMATED SECURITY (HOLDINGS).

■ **Peter Mason**, chief executive of Balfour Beatty, has been appointed a director on the main board of BICC.

■ **Lucinda Weston Smith** has been appointed a director of The BRITISH LAND CORPORATION Ltd.

■ **Colin Fraser**, chief executive of McGregor Cory and chairman of Panocean Storage & Transport, and **Rodney Lenthall**, chief executive of OIL and chairman of Cory Towage, have been appointed to the main OCEAN GROUP board.

■ **Barbara Richmond**, formerly finance director of GEC Alsthom's electrical distribution group, has been appointed group financial controller of WHESSOE.

■ **Brian Fisher**, logistics director of Allied Colloids Ltd, has been appointed director of operations and safety ALLIED COLLOIDS GROUP.

■ **Jean-Francois Chene**, md of HEPWORTH's European heating division, has been appointed to the main board.

■ **Graham Parrott**, company secretary, joins the board of GRANADA.

Hoare Govett analysts

Nick Bunker, a former member of the Financial Times Lex team, and John Russell, a veteran insurance industry analyst, are joining stockbrokers Hoare Govett. The firm is broker to three of Britain's biggest composite insurance companies and has been keen to fill the gap in its insurance industry coverage following the departure of Angela Coad and Chris Hitchings to UBS Phillips & Drew earlier this year.

Russell, who was responsible for setting up Commercial Union's unit-linked life insurance operation, has been a research analyst at Prudential-Bache and most recently has been working as a consulting actuary. Since leaving the FT Bunker has been corporate development manager at Sun Alliance.

■ **Keith Sheridan** has been appointed md of BAIN CLARKSON's North American division; he moves from Gibbs Hartley Cooper North America. **Tim Whorton** is appointed director in charge of its Leicester office.

■ **Trefor Parry** has been appointed finance director of J ROTHSCHILD ASSURANCE.

■ **Simon Coombes** has been appointed development director of AEGON Financial Services; **George Lokuciejewski** has been appointed finance director and **Steve Dixon** a director of AEGON Life Assurance.

The end of another era at BTP

Frank Buckley, who has been the catalyst for change at BTP – once British Tar Products and now a leading maker of lipstick preservatives, beer clarifiers and flame retardants – will, from January 1, drop the chief executive's role. Now 64, he will remain chairman. Steve Hannam, who has headed the chemicals division for 5½ years, will become managing director.

Buckley, a smoker of enormous cigars, says he used to be simply "a good chemist"; working in the US for Allied Chemical Corp, he was in at the birth of chlorofluorocarbons. CFCs are now on the eco-hitlist, but he recalls how their use in the $99.99 air-conditioning system and refrigerators for the masses in the 1960s was a blessing to the world.

He moved to BTP about 25 years ago as a "consultant local director". As the tar business dried up, the old tanks were used to store all sorts of other things, churning out the cash that was invested in chemicals.

When "Pen" Lloyd, the sort of man who hunted with his bones in plaster, died suddenly in 1979, Buckley became chairman and chief executive. But the group has maintained some of the traditions of the Lloyd era; it still holds its annual meeting in early August at the Café Royal – in time for the glorious dash to Scotland.

Japan hedges on carbon tax

By Robert Thomson

When Japan hosted an international gathering this year on the environment, there was concern among industry that the country would be committed to a tax against carbon dioxide emissions.

Instead, the resulting Tokyo Declaration carefully suggested that governments "may wish to consider" a carbon tax and other environmental taxes, but must "keep in mind the impact on international competitiveness". This left the door open for Japan to slap on a tax if it wished.

That door has been shut firmly for the indefinite future by a report from three energy advisory panels to the Ministry of International Trade and Industry, which wants to be seen as green but must also perform its sometimes conflicting role as defender of industrial interests.

The panels' final report suggests that Japan may do more harm than good by introducing a carbon tax. "In the event that such an initiative lacks international conformity, it would invite the international migration of industry," the report says. It also reflects concern that the tax would make Japan less competitive, dragging down economic growth.

Carbon dioxide emissions 1989	
US	22.3%
USSR	17.4%
China	10.9%
Japan	4.8%
W.Germany	4.4%
India	3.0%
UK	2.6%
Canada	2.1%
Poland	2.0%
Italy	1.8%
Others	28.7%

Source: US Carbon Dioxide Information Analysing Centre

Maintaining growth has become a priority for Japanese companies, which have falling profits and are thus trimming staff, salaries and product ranges.

On delivery of the three panels' combined report, Miti said the recommendations would be the foundation for future policy. Rather than highlighting industry opposition to the carbon tax, it preferred that attention be paid to the report's 14 general proposals for a cleaner environment.

These include more use of non-fossil fuels, encouraging environment-friendly business behaviour, promoting recycling and accelerating the development of technology to protect the environment.

In a "to be considered" category are recommendations that manufacturers refrain from excessive product changes and streamline components. The economic downturn has ensured that this is happening, with companies also using less packaging.

Another consequence of the downturn is a slowing of tax revenue, which prompted the Ministry of Finance to enter the environment debate, having reckoned that a CO_2-related tax would help balance the books. It has considered doubling the petroleum tax. But it has chosen not to hurry the carbon tax debate, leaving Miti to exercise its influence. The Environment Agency, which tends to represent the government at international meetings, favours a tax based on a scale reflecting the amount of CO_2 emitted, but is not pressing for immediate deployment.

Yet an EC proposal to introduce carbon taxes is conditional on the US and Japan adopting similar measures, prompting Tokyo to wonder whether President-elect Clinton will reverse the US stance against the tax. Yoshitake Masuhara, planning director at the EA, says Japan's efforts over the past two decades to reduce emissions must be considered by foreign governments.

"Japan accounts for about 15 per cent of global GNP, but only for 4.8 per cent of emissions. The US accounts for about a quarter of GNP and a quarter of the emissions," Masuhara said. "We are disappointed that the Japanese government has not clearly supported a carbon tax, but we think the tax alone is not enough."

The amount of recycled newsprint produced in the US rose from 1.9bn tonnes in 1990 to an estimated 2.5bn tonnes this year

Too much of a good thing

As recycling laws take hold in the US, manufacturers have the most to lose, says Victoria Griffith

A bitter battle over recycling in the US is pitting environmentalists against many manufacturers, especially in the plastics and food processing industries.

The new tension comes from the growing public demand for efficient recycling. While rising public enthusiasm and more curbside collection has boosted the supply of recycled materials, demand for recycled goods is still weak. Many communities pay heavily for recycling programmes only to watch the materials languish unused.

What worries many US industries is that more and more cities and states are adopting complex legislation which calls for industry, rather than local governments, to carry much of the recycling burden.

The state of Oregon, for instance, has adopted a law forcing companies to adopt one of a series of environmentally friendly options:

● Use packaging which contains a certain percentage of recycled materials – 25 per cent by 1995, 50 per cent by 2000.

● Guarantee a similar rate of recycling for the materials in question – by reprocessing the materials themselves if need be.

● Severely reduce the total amount of packaging used.

The twin cities of Minneapolis and St Paul in the state of Minnesota adopted similar, though less restrictive, measures. And a bill even more ambitious than the Oregon legislation was laid aside in Massachusetts only after industry spent \$5.5m (£3.6m) to defeat a plebiscite vote. Other recycling controls are becoming widespread. Eleven states now require newspaper print to contain a minimum of up to 40 per cent recycled content, and another 25 have voluntary programmes.

Nine states enforce "bottle bills", which require beverage companies to ask for a deposit and re-use collected bottles. And 30 have legislation requiring local and state governments to purchase a certain amount of recycled office materials. Perhaps most frightening to opponents of recycling laws, legislation is before Congress which would institute repackaging requirements on a nationwide basis.

"Public pressure is mounting to boost recycling," said Roger Bernstein, director of government affairs for the American Plastics Council. Of all manufacturing segments, perhaps none is more concerned than the plastics industry. Plastic is extremely difficult to recycle, since so many types are used. A mere 2 per cent of the plastic discarded in the US is currently reprocessed.

Moreover, plastic is criticised by many environmentalists for its indestructibility. The rising tide against the plastics industry has it so worried that it has just launched a national public relations campaign to promote the environmental soundness of the product.

Despite industry concerns, repackaging laws seem to be the wave of the future, and defenders of the measures say they are extremely effective in cutting down on waste. "Several new paper recycling plants have opened up in Oregon over the last few years, and we've seen some real progress on glass," said Joel Ario, director of the Oregon State Public Interest Research Group which sponsored the repackaging legislation.

James River Company, for instance, has just opened its first office supply paper recycling plant in Oregon. Nationally, increased demand for recycled materials has led to a big increase in recovered paper used in newsprint.

At a time when total newsprint production is declining, the amount of recycled newsprint produced in the US rose from 1.9bn tonnes in 1990 to an estimated 2.5bn tonnes this year, according to the American Paper Institute. That figure is set to surge to 3.2bn in 1994. Still, many observers say progress on the recycling front has been driven more by improved technology than by any increase in demand through environmental legislation.

"We put in a magnetic screening system 12 years ago and just added a non-ferrous metal detector," said Ronald Sprague, plant manager for glass recycling with Owens Brockway in Oregon. "I don't think the new laws make any difference. It's the technology that counts. If someone can figure out how to re-use something cheaply, they will. Our recycling rates are between 60 and 80 per cent for glass in this state, well above those required by law up to the year 2000."

Not all segments have such an easy time meeting targets. Critics say that the new repackaging bills can be too expensive, or simply unworkable. "These sorts of laws can cause chaos," said Carol Rawlston, vice president in charge of government affairs for the American Paper Institute. "For instance, some sorts of food packaging – such as for milk – can't use recycled material. There are too many contaminants involved, and it would go against packaging standards set by the federal government to guard people's health."

Similar problems are cited for bottle collection. "Some of the chemicals people used to use to clean the bottles are now considered toxic," said Sprague. "And a lot of small grocery stores have found that they don't have the space to collect used bottles."

Even if more states adopt repackaging laws, environmentalists may face obstacles in getting companies to comply. "Boxes for Wheaties cereal have been made of recycled paper since 1950, just because that was the cheapest material available," said Lawrence Sawyer, director of government relations for General Mills.

"But the actual bag that the cereal is packed in within that box is 100 per cent virgin. It has to be for health reasons. You can pass all the legislation you want, but no one can make us comply if the consumers' safety is at risk."

With both sides arming themselves to the hilt, the battle between environmentalists and industry on the recycling question will probably continue for some time. But with the concept of recycling enjoying high rates of public approval, industries like plastics, bottlers and food processors are concerned that, in the long run, they will be the losers.

Plastic in the park

Chicago's Park District did not intend to enter the recycling business three years ago when it untook to refurbish 360 of its neighbourhood playgrounds. Some 3.5m pounds of plastic later, the city has become a model for other communities seeking to convert household waste into indestructible timber substitutes, park benches and play equipment.

The city stumbled into its Plastic On Parks programme after one manufacturer suggested that plastic would survive the hazards of Chicago's winters and gang graffiti better than wood. At first the idea did not seem attractive – plastic was nearly twice as expensive as wood. However, the gap would be halved if the City provided the raw plastic for the programme.

Gathering piles of used milk and soft drink bottles, cleaning-fluid containers and plastic shopping bags seemed daunting at first. Chicago had no city-wide recycling programme, but bins were set out at 263 park sports facilities. Residents were encouraged to drop off their empties.

"The first week we collected 400 pounds and thought we had a good programme," recalls Fred White, director of Chicago's parks recycling programme. "Now we're collecting 30,000 to 45,000 pounds per week, and people refuse to let us stop." Parks staff empty the bins and the discards are delivered to a recycler for processing. Private donations provided two new trucks for the programme.

White believes one of the reasons for the programme's success is that people can see the results of their efforts in their neighbourhoods. A unique feature of POP is the city's requirement that plastic given to the processor must return to Chicago.

Hammers Plastic Recycling, the Iowa-based processor for the programme, recently opened a Chicago manufacturing facility where it has hired 12 people to help fulfil the city's \$1m (£600,000) contract.

Ken Iles, marketing director of the company, says the POP plastic is now being converted into basketball backstops, picnic tables and special plastic wheelchair ramps for Chicago's beaches, as well as timber substitutes and park benches.

Laurie Morse

ARTS

Television/**Christopher Dunkley**

Catering for closing time on the commercial channels

The most extraordinary hour in the week's television now occurs on the commercial channels at pub closing time on Fridays, especially in London and the remote Scottish islands. Channel 4 provides *The Word*, which can be seen anywhere in Britain, and London Weekend offers *Dial Midnight* which is shown in the metropolis and in the Grampian region of northern Scotland. *The Word* is a yoof show, its title presumably ironic since its young cockney male presenters have remarkably limited vocabularies. The young female presenters tend, like Madonna, to make underwear the focal point of their outfits: black lace bra under transparent blouse, stockings which end below the hem of the miniskirt, and so on. It is like a meeting between The Bash Street Kids and the girls of St Trinian's. Rap, pop and fame are the subjects.

The presenters on *Dial Midnight*, two anorexic looking girls and the ebullient James Whale (who converted his Midlands radio show into a late night Midlands television show before making this move to London) sit on what appears to be a red rubber hedgehog and discuss the sort of subjects which you find at the extreme edge of the tabloid market: penis enhancement operations, faith healing, and so on. Last Friday they boasted television's first drag-queen tele-dating session. Danny, dressed in black lingerie and high heeled black patent boots, took phone calls from viewers, asking "How big is your dick?" and so on, and made a date with one of them. It all looks astoundingly cheap and the sensationalism may pull in a hefty post-pub, post-club audience. But is this really the way that British commercial television intends to make the bigger profits which the new government rules apparently intend?

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Last month this column characterised much of television's drama output as Marks and Spencer material (middle of the market, good value for money, but desperately safe and derivitive), so it should now be acknowledged that we have recently been treated to two superior and original drama productions, both on BBC1. The 13-part series about a police investigation unit, *Between The Lines*, fulfilled its early promise, developed three unusually interesting characters at its centre, and vividly illustrated the difficulties of fighting the unprincipled with principles. It fully merits another series and is getting one. *Look At It This Way*, a three-part adaptation by Justin Cartwright from his own novel, was a nicely idiosyncratic mix of crime, romance, and satire, using cities in general and London in particular as a sub text, and a visually powerful one.

On the other hand ITV's new Sunday evening series *A Touch Of Frost*, with David Jason playing yet another police detective, looks like a classic Marks and Sparks production. It is well made – though the opening story was not too clever – and will doubtless please many and offend few. But do we really need yet another one?

*

On Monday *Panorama* finally presented an honest programme about "Satanic abuse", showing that, whatever those ludicrous ooky-spooky documentaries on Channel 4 may have pretended, there is no evidence whatsoever to prove the existence of this phenomenon which stems from an obsession among American Christian fundamentalists. Producer Nawinder Minhas and reporter Martin Bashir deserve the thanks of everyone, especially those whose children have been taken away by social services departments and put through the astonishing sort of third degree demonstrated on this programme.

The Brash Street Kids meet the girls of St Trinians: presenters of Channel 4's 'The Word'

Which current affairs series will have the courage to make a similarly honest programme about AIDS to be shown in Britain in peak time on a major network? It will, of course, cause the most almighty row. In the ten years since the first public acknowledgement of the disease, enormous efforts have been made to frighten ordinary heterosexuals into altering their habits, rather than focussing on promiscuous male homosexuals, bisexuals, drug abusers or those from parts of Africa as "high risk" groups. In the age of political correctness it seems that television journalists would rather risk misleading the public than being called homophobes or racists.

Last week being AIDS Awareness Week, this serious lack of balance was much in evidence. We were repeatedly told that in Britain the fastest increase in AIDS cases in the past year was among women, but none of the speakers mentioned the fact that for women the numbers are counted in tens but for men in thousands. In all the years of AIDS programmes, I know of only three which were completely honest and open. The first, made by Fisher Dilke for *Horizon* in 1986, tried to establish exactly what it was about homosexual behaviour which produced a high incidence of the disease. The BBC suppressed it. The other two, made by Joan Shenton, were bravely non-conformist and questioned some of the widespread assumptions about AIDS and HIV. But having been shown on Channel 4, they will not have reached a big audience.

Last week's programmes were typified by the sight of comedienne Ruby Wax wagging her finger at us and telling us that heterosexuals must wear condoms. You might think that the duty of a self respecting current affairs department was to try to explain to us the difference between AIDS in Britain and in sub-Saharan Africa. Does the high rate of heterosexual AIDS in Africa result from needle-sharing in under-funded clinics? From transmission linked to other venereal infections? From the widespread use of anal intercourse as a contraceptive measure? Medical journals discuss these factors, but television programmes prefer to suggest uncritically that since AIDS is a hetreosexual disease in Africa, the same must be true in Britain, despite the differences.This is another example of a subject on which the public has been better served by the press. If television continues to suppress facts and to follow its own tunnel vision down the politically correct line while newspapers continue to report a broader spectrum of fact and opinion, television's credibility in current affairs will suffer.

*

The increasing specialisation in the television awards business is getting out of hand. On Monday of last week Sky One brought us two and a half hours of the BAFTA Advertising Awards, compered by David Frost, then on Saturday ITV gave us two hours of The British Comedy Awards compered by Jonathan Ross. These are both new occasions to be added to the Emmys, Oscars and BAFTA Awards, the BFI Awards (with their leaning towards film), and the RTS Awards (journalism), not to mention the craft awards, awards for rock videos, and so on. Soon there will be enough to make it a regular monthly occasion, and at that point the logical step will surely be an Award of Awards, offering a single prize for the year's best actor, actress, comedy, documentary... and of course best awards evening.

Alastair Muir

Sarah Brightman and Michael Hordern

Theatre/**Malcolm Rutherford**

Trelawny of the Wells

There is a mass of theatrical history behind *Trelawny of the Wells*. Over the years it has been Arthur Wing Pinero's most popular work, far ahead of what Hilaire Belloc called "that interesting play, *The Second Mrs Tanqueray*". But not even Pinero (1855-1934) could have expected to see two major productions of *Trelawny* in London in 1992-93. The first opened at the Comedy on Monday; the second will be at the Royal National Theatre in the new year.

A word of warning may be in order. The first half of the Comedy production is leaden to an unexpected degree. Do not form a judgment at the interval, for the second half takes off. This may be because of the veteran Sir Michael Hordern, rumoured to be making perhaps his last West End stage appearance.

Hordern plays the part of Sir William Gower who, in the first half, is a very dour fellow indeed. Vice-Chancellor of the legal profession, he lives with his even more repressed sister in Cavendish Square, sleeps briefly after dinner before devoting his intellectual energies to playing whist (not even bridge). Almost none of the first half jokes and situations succeed, including the introduction of the team of troupers at the Wells.

Then comes the transformation. The Vice-Chancellor turns out to have been a more lively man in his youth: having seen Edmund Kean act, he had an eye for what he calls the "gypsy profession" himself. Toby Robertson's direction is worth seeing for Hordern's second half showing alone. Even when he just grunts, and he does a lot of that, Sir Michael remains a formidable stage presence. He exudes old-fashioned authority; everyone defers to it.

For the rest, some background may help. Pinero was an actor before turning to writing. He switched when realism in the theatre was just coming in and was not immediately popular. One of the characters in *Trelawny* is called Tom Wrench. He is drawn from the real-life playwright, now largely forgotten, T. W. Robertson (1829-71). Robertson came from a huge theatrical family. It was Robertson who – before Chekhov, Ibsen, Shaw and Granville-Barker – tried to introduce realism to the stage. He was known for his "cup-and-saucer drama".

While much of *Trelawny* is farce, the background is the struggle for what the theatre should be about. The Wells is Sadler's Wells where some of the innovations, and some of the resistance, took place. The Trelawny of the title is not a squire, but Rose, the juvenile lead who started in musical comedies until she became more serious and was temporarily sacked. You can see the influence on Shaw: there is a touch of Eliza Doolittle in Rose.

Some of *Trelawny* comes close to Victorian melodrama, though perhaps this is satirical. The Vice-Chancellor, for instance, could very well turn out to be a villain and his grandson come to a sticky end. Yet what you get, above all, is the fascination with theatre which, around the end of the 19th century, went into one of its most productive periods. Pinero was steeped in it.

There are some wonderful ironies. The Vice-Chancellor recalls his theatre-going youth, does a little walk like a hunchback, then reflects on the decadence of the new realism: "When I saw Kean as Richard, he reminded me of no member of my family. Shakespeare knew better than that."

Rose is played by Sarah Brightman. She is far too professional ever to put a leg wrong, but is a surprisingly mature actress to be cast as a 19-year-old juvenile lead. A touch of the *ingénue* might liven things up in the style of Sara Crowe. Some of the smaller parts are excellent, especially Kelly Hunter as the splendidly named Avonia Bunn. It cannot be beyond Toby Robertson to quicken the pace of the first hour or so.

Comedy Theatre for an eight week season. (071) 867 1045

Concert and semi-staged opera performances at the Barbican and Queen Elizabeth Hall

An epic evening with Nielsen's 'Saul and David'

Nielsen's first opera *Saul og David* has stayed outside the repertory in Britain. It has been staged here just once – in a semi-professional production in 1977 – though a new Danish recording was released last year. As part of "Tender is the North" at the Barbican on Monday the BBC Symphony Orchestra and Chorus undertook a concert performance: a vivid, impassioned account conducted by Andrew Davis, sung in Danish with a mix of British and Danish soloists.

The dramatic tenacity of the score in the concert hall squashed all suspicions that this Biblical epic is really oratorio passed off as opera. The choruses may be striking inspirations and integral to the dramatic structure, but the work hinges genuinely upon its juxtaposition of the central characters – Saul and David, Saul's children Jonathan and Mikal and the prophet Samuel – and the ways in which their psychologies are probed and analysed. That Nielsen works much of this out in terms of inherited operatic stereotypes rather than through freshly minted invention never threatens the work's integrity, just fails to clinch its originality; what is memorable is the sustained effect of *Saul and David*, rather than any of its specific details.

By the time he came to write the opera at the turn of the century Nielsen had learnt his craft well. Musorgsky's *Boris Godunov* is commonly cited as *Saul and David*'s precursor; that source is especially evident in Saul's monologues and the set-piece choruses, and Nielsen was after all a nationalist composer of his own devising, one derived at several removes from Musorgsky's example. But there is a good deal of Wagner in the writing too (hints of *Götterdämmerung* in Samuel's grave pronouncements) and even of the 19th-century Italian tradition in the lyric duet for David and Mikal that ends the first act. If the opera never quite takes off or becomes more than the sum of these identifiable parts it is plotted with great economy and directness, carved out in massive tonal arches. As Andrew Davis recognised, the music always knows where it wants to go and generates the momentum it needs to get there.

Ideally the vocal writing requires more weight than mustered in the Barbican cast, singers with Wagnerian powers of declamation – one of the early interpreters of the role of Mikal was Kirsten Flagstad, while the recent recording cast Aage Haugland as Saul. But here with Ulrik Cold as a flexible Saul, Kurt Westi a persuasive David and Christian Christiansen a sepulchral Samuel the performances were consistently involved; Eva Johansson joined well with Westi in Mikal's duets, and John Mark Ainsley added a finely drawn Jonathan to his own increasing operatic gallery.

On Sunday Colin Davis and the London Symphony Orchestra had added a further instalment to their cycle of the Sibelius symphonies, which is proving to be the glorious centrepiece of this Scandinavian celebration. Davis's powers as a Sibelius interpreter have grown steadily over two decades; but until this concert he had never tackled *Kullervo*, the symphony for voices and orchestra based upon an episode from the Finnish *Kalevala* which preceded the numbered symphonies and furnished so much of Sibelius's later music.

In Finland *Kullervo* has tremendous nationalist significance and in Britain performances have been increasingly frequent over recent years. Davis's account though surpassed any I had heard in its purposeful power and its refusal to be ambushed by any of the work's *longueurs*. Even the long central movement "Kullervo and his Sister" remained on course and culminated in wonderful declamatory solos from the baritone Jorma Hynninen and the soprano Soile Isokoski. The choir was the Helsinki University Chorus, which has made *Kullervo* its own speciality; the LSO, enjoying a vintage period at the moment, never failed in its attention to detail.

Andrew Clements

Barbican Hall and BBC Radio 3

Purcell's 'Dido and Aneas'

An instrumental prelude led into the Prologue. This turned out to be a pageant of the sea, an allegory in the French style, featuring Phoebus attired in gold with a richly plumed headdress, Venus, nymphs and shepherds, the men in this stylishly costumed production all looking the spitting image of Charles II.

For those who had not read the small print, the identity of the opera would be a mystery. Surviving copies of the text for Purcell's *Dido and Aeneas* show that at some point it acquired a prologue, but the music is lost and the opera has become known without it. In this staged performance at the Queen Elizabeth Hall on Monday the English Bach Festival tried a re-construction: other short pieces by Purcell were interspersed throughout the verses, which were spoken.

As a one-off exercise, it had its value. Assuming Purcell ever did write the music to go with this opening, the drama would have taken on a wider significance in the person of the goddess of love, representing all the Didos of the human race. No doubt the score would also have brought a deeper resonance to her utterances – but without the music, we just do not know.

It was telling how the performance jolted into life, as soon as we moved into the opera proper. An important feature of *Dido and Aeneas* is that Purcell wrote it to be sung all the way through, but that effect is lost if the Prologue can only be performed like a masque, as spoken drama with music. The inherent power of the opera itself was in any case marvellously shown by this EBF production, a noble realisation for all its evident need to watch the pennies.

No Restoration extravagances here. Tom Hawkes provided just simple stage effects and a producer's acumen in how to bring out the devastating emotional force in Purcell's drama. In this hall an orchestra of seven (strings, lute and harpsichord) proved sufficient; but a chorus of four was more of a sacrifice, as they could hardly be expected to echo themselves from afar. Kathleen Tynan was an excellent Belinda and Nigel Leeson-Williams sang a burly warrior of an Aeneas.

Still all this might not have succeeded, if the performance had not found so striking a focal point in its central performer. A specious argument was proffered in the programme as to why Della Jones had been asked to take on the roles both of Dido and the Sorceress, but her magnificent accomplishment of the task was reason enough. As the Sorceress, she pushed her voice; but as Dido, she triumphed in regal style.

In an uncanny way her performance spanned the centuries: sometimes the clean singing of intricately decorated vocal lines suggested period practice, at others she left all that behind and let fly with the full-range of modern-day expression. More important, the whole tragic spirit of Purcell's Dido seemed to be alive in her hands. It was there that this *Dido and Aeneas* found its true raison d'être.

Richard Fairman

INTERNATIONAL
ARTS GUIDE

■ BARCELONA

● Uwe Mund conducts Götz Friedrich's production of Lohengrin, opening at **Gran Teatre del Liceu** on Mon (further performances on Dec 17, 20, 23, 27, 30, Jan 2, 5).
The cast includes Thomas Sunnegardh, Hans Sotin and Eva Marton. Dec 19: Paata Burchuladze sings Russian and Italian arias (412 3532)
● Garcia Navarro conducts Barcelona City Orchestra in works by Brahms, Prokofiev and Rakhmaninov at **Palau de la Musica** on Sat at 19.00 and Sun at 11.00, with cello soloist Gary Hoffman.
Sat at 22.00: Laszlo Heltay conducts Handel's Messiah. Next Tues: Zagreb Soloists play concertos by Correlli and CPE Bach. Next Wed: Alexis Weissenberg piano recital (268 1000)
● Anne Teresa de Keersmaeker's experimental dance group Rosas presents Achterland on Sat and Sun at **Mercat de les Flors,** carrer Lleida 59. Alan Ayckbourn's play Absurd Person Singular can be seen at **Teixidors Teatreneu,** Terol 26, till Jan 24.
Information and booking for cultural events available through Caixa de Catalunya from 08.00 to 14.00 (310 1212)

■ COLOGNE

OPERA
Opernhaus Tonight and Sat: Entfuhrung. Tomorrow: Hansel and Gretel. Fri: Der fliegende Hollander with Monte Pederson and Mechthild Gessendorf. Next Thurs: Olaf Baer song recital. Dec 20: Thomas Fulton conducts first night of Willy Decker's new production of Billy Budd, with Philip Langridge as Vere (221 8400)
CONCERTS
Philharmonie Fri: Yakov Kreizberg conducts Cologne Radio Symphony Orchestra in works by Mozart and Tchaikovsky, with piano soloist Valery Afanassiev.
Sun afternoon: Handel's Messiah. Sun evening: Andras Schiff plays Schubert. Mon: Cologne Chamber Orchestra plays Bach. Tues: Ton Koopman directs Amsterdam Baroque Orchestra. Next Wed: Maurice André (2801)
THEATRE
Schauspielhaus A new production of Friedrich Hebbel's Maria Magdalena, directed by Torsten Fischer, opens on Fri.
The repertory also includes Michael Bogdanov's production of John Ford's 'Tis Pity She's A Whore (221 8400)

■ COPENHAGEN

Flemming Flindt's production of Nutcracker can be seen tonight and tomorrow at the **Royal Theatre,** and continues in repertory throughout the month. Fri: Nilsen's comic opera Maskarade. Sat and Tues: Don Carlo. Mon: Carmen (3314 1002)

■ FRANKFURT

CONCERTS
Alte Oper Horst Stein conducts concert performances of Hansel and Gretel tonight, tomorrow and Fri, with a cast including Brigitte Fassbaender.
Tomorrow (in **Mozartsaal**): Edith Wiens song recital. Sat: Maurice Andre trumpet recital. Sun: Michael Gielen conducts Mahler's Seventh Symphony. Mon: Frans Bruggen conducts Deutsche Kammerphilharmonie in works by Haydn, Beethoven and Mendelssohn, with piano soloist Olli Mustonen.
Next Tues: Handel's Messiah. Dec 18-Jan 10: 42nd Street (1340 400)
Jahrhunderthalle Hoechst Sat: Manfred Honeck conducts Bamberg Symphony Orchestra in works by Dvorak, Martinu and Ravel, with cello soloist Gustav Ravinius. Next Tues, Wed, Thurs: Russian State Ballet (3601 240)
OPERA/DANCE
A new William Forsythe ballet will be premiered at the **Schauspielhaus** on Dec 19, followed by the first night of Ruth Berghaus' production of Der Rosenkavalier in the **Opernhaus** on Dec 23. The only performances over the coming week are Die Fledermaus on Sat and next Fri, and La traviata on Sun (236061)

■ GOTHENBURG

Konserthuset Sat at 15.00: Neeme Järvi conducts Gothenburg Symphony Orchestra in Shnitke's In memoriam and Tchaikovsky's Fourth Symphony. Dec 17, 18: La Damnation de Faust (167000)

■ HAMBURG

Staatsoper Tonight: Don Carlo with Anna Tomowa-Sintow and Roberto Scandiuzzi. Tomorrow: Hansel and Gretel. Fri and Sat: Die Zauberflöte. Sun: Bob Wilson's production of Parsifal. Next Tues: Der fliegende Hollander with Elizabeth Connell and Simon Estes (351721)

■ LEIPZIG

OPERA
Opernhaus Tonight: Sophia Larson sings the title role in Elektra. Tomorrow: La boheme. Fri: Le nozze di Figaro. Sat: ballet by Uwe Scholz. Sun: Werther with David Rendall in the title role. Mon: Edda Moser song recital. Dec 18: first night of new Lohengrin production (7168 273)
CONCERTS
Gewandhaus Tonight: Peter Schreier, accompanied by Karl Engel, sings Winterreise.
Tomorrow and Fri: Alexander Rahbari conducts Gewandhaus Orchestra in works by Laporte, Strauss and Rimsky-Korsakov. Sat: Shlomo Mintz violin recital. Sun: concert of opera arias with Rodney Gilfry and other soloists. Next Thurs and Fri: Kurt Masur conducts Beethoven's Sixth Symphony (7132 280)

■ LYON

● Tomorrow and Fri at **Auditorium Maurice Ravel,** Emmanuel Krivine conducts Orchestre National de Lyon in works by Richard Strauss and Musorgsky, with Charlotte Margiono soloist in the Four Last Songs.
Sun morning at **Hotel de Ville:** Emmanuel Krivine conducts Bach Brandenburg Concertos (7860 3713)
● Barbara Hendricks, Gabriel Bacquier and Gino Quilico star in an Opera de Lyon production of L'elisir d'amore on Fri at **Théâtre du Huitième,** 8 ave Jean Mermoz.
Dec 26 at **Auditorium Maurice Ravel:** Kent Nagano conducts first of seven performances of Prokofiev's ballet Romeo and Juliet, choreography by Angelin Preljocaj (7828 0960)

■ NEW YORK

THEATRE
● Oleanna: David Mamet, in fine curmudgeonly form, takes on political correctness, sexual harassment and other *isms* in this brief, powerful drama (Orpheum, 126 Second Ave, 307 4100)
● The Sisters Rosensweig: Wendy Wasserstein's new play about the reunion in London of three American Jewish sisters (Mitzi E Newhouse, Lincoln Center, 239 6200)
● Coversations with my Father: Herb Gardner's bittersweet memory play about a Lower East Side barkeeper, his two sons and the patrons of his tavern (Royale, 242 West 45th St, 239 6200)
● Guys and Dolls: a lively production of Frank Loesser's musical directed by Jerry Zaks (Martin Beck, 302 West 45th St, 239 6200)
● Jelly's Last Jam: the music of Jelly Roll Morton, self-proclaimed inventor of jazz, plus an unsparing portrait of the man himself. In the starring role, Gregory Hines combines his astonishing talent as tap dancer and actor (Virginia, 245 West 52nd St, 239 6200)
● Five Guys Named Moe: the guys are black dancers and singers of ability and spirit, who perform the songs of the late Louis Jordan (Eugene O'Neill, 230 West 49th St, 239 6200)

■ STRASBOURG

Théâtre Municipal 20.00 First night of new Opera du Rhin production of Die Fledermaüs, conducted by Theodor Guschlbauer and staged by Pierre Strosser. Further performances tomorrow, Sat, Sun, Dec 19, 20, 22, 23 (8875 4823).
Dec 16, 17 in **Palais de la Musique:** Guschlbauer conducts Strasbourg Philharmonic Orchestra in works by Schubert, Dvorak and Bruckner (8837 6777)

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(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

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Wednesday December 9 1992

The threat to India

INDIA HAS experienced a nasty shock, but it can recover. The destruction of the mosque at Ayodhya by Hindu militants on Sunday night has outraged Moslems everywhere. The erection of a makeshift Hindu temple in its place has compounded the damage. The fierce religious passions that have been unleashed by the right-wing Bharatiya Janata party (BJP) threaten the stability of the sub-continent. The focus has naturally been on the past two days of rioting: by last night the death toll had reached 400.

Yet India has survived events of similar dramatic impact, including the assassinations of Mahatma Gandhi by Hindu activists, Nehru's daughter Mrs Indira Gandhi by Sikhs, and her son Rajiv by Tamils. Moslems have long been in conflict with the Indian state in Kashmir, as have Sikh terrorists in Punjab. The republic has been subjected to religious and sectarian disputes since the great partition of 1947. The birth of modern India and Pakistan was marked by bloody internal conflicts; there have since been two wars between them. A state that can survive all that during its first half-century of independent existence will not easily be driven to self-destruction.

The urgent task for the Indian government now is to re-establish order. This would best be achieved by the continuance in office of the prime minister, Mr P.V. Narasimha Rao. Mr Rao's policy of appeasing the BJP, particularly during the early months of his initially shaky government, was one of the errors that led to the disaster at Ayodhya. But a change of government would not necessarily lead to greater stability. In July Mr Rao tried to deflect the BJP's campaign against the mosque by referring it to the Supreme Court. Now he has the chance to act with greater force.

He has begun to do so. The site around the Ayodhya mosque/temple has been cleared of 50,000 militants, with no casualties. There is a delicate tactical problem to settle here. Delhi is pledged to rebuild the mosque, but if it dismantles the makeshift temple, now widely regarded as a holy place, it may alienate moderate Hindus. The ideal solution, the building of a shrine to each religion, side by side, and the dedication of the site to national reconciliation, may be unreachable.

Leaders of the BJP and allied organisations have been arrested and charged with inciting violence. This is a calculated risk by Mr Rao's administration. It might further inflame militant Hindus, but, against that, virtually the entire Indian press has come out against the destruction of the Ayodhya mosque. Moderate Hindus are appalled: the flirtation of some of them with the BJP, an upper-caste led party, may be over. Thus strengthened, Mr Rao stands a chance of reasserting the government's authority and concentrating on his programme for economic liberalisation. Success in that endeavour is a prerequisite if modern India is to survive. Mr Rao has shown courage on the economic front; he must now act to restore India's tradition of religious tolerance.

Air waves

EUROPE IS flying through fog in its search for a system of airline regulation which yields greater competitive pressures and a better deal for consumers.

The latest leg of this troubled journey ended in the small hours of yesterday morning, when EC transport ministers agreed a new regulation governing the allocation of airport take-off and landing slots. It says that in future airlines which do not use their slots will lose them and that when slots do become available, preference will be given to airlines which lack a significant presence at the airport system in question. It also gives governments the power to take the task of co-ordinating slot allocation away from the big airlines, although it may be doubted whether many of them will use it.

This is presented by Mr John Macgregor, the UK Transport Secretary, as a breakthrough: "a regulation which protects the legitimate rights of established carriers, while allowing new carriers onto routes and stimulating competition."

Some newer carriers do not agree. They think that once again EC transport ministers have done what their big flag carriers want, namely to keep the competition at bay. According to these smaller airlines, "use it or lose it" is a rule the big carriers will be happy to live by. It is, after all, not difficult for a big airline to maintain an adequate presence even on a loss-making route if it knows that the alternative is withdrawal leading to a price war and the emergence of serious competition.

The smaller carriers also ask: does the regulation mean that airlines which do use their slots thereby in effect acquire the right to go on using them in perpetuity, which would amount to a property right? And they wonder to what extent national regulatory bodies, such as Britain's Civil Aviation Authority, will be further hindered in their ability to coerce bigger carriers into releasing slots to smaller carriers by the appearance of an apparently more liberal new regime. These are good questions, to which ministers should provide answers before formally approving the regulation agreed in outline yesterday.

All of this is perplexing for European air passengers, who are confronted daily with overpriced services. Those who think that even under the new rules, the airport slot allocation system will still be dominated by the big airlines for their own benefit will continue the quest for a more liberal alternative based upon some kind of rolling franchise system.

Probably the best that can be said for yesterday's agreement is that it gives the European Commission power to intervene in the airlines' slot allocation committees, if the policy of easing the way for smaller airlines appears not to be working. The regulation also contains a clear review clause. These are powers the commission will need to use with skill and determination.

Ukraine's chance

WHILE politics appears to be halting Russia's move toward a market economy, in Ukraine the transition has finally begun. If the words of Mr Leonid Kuchma, Ukraine's new and reform-minded prime minister, can be translated into actions then even cynical western observers have reason for modest optimism.

The economic challenge facing the former Soviet Union's second largest republic is immense. Mr Kuchma's task is first to repair the damage of years of stagnation and mismanagement which, until recently, President Leonid Kravchuk has appeared willing to tolerate. Increasingly irresponsible government has left Ukraine with a budget deficit greater than a third of the economy, an inflation rate of more than 30 per cent a month and a quasi-currency, the *coupon, which commands little* respect from those forced to use it.

Yet a market-oriented Ukrainian government could find an escape from looming hyperinflation. Mr Kuchma, a reform-minded former rocket factory director, is potentially able to command support from a wide coalition of interests. He has been granted wide-ranging executive powers by parliament. He also has much greater control over local officials than do his counterparts in Moscow.

Moreover the past year's inaction allows Ukraine, and its western advisers, to learn from Russia's mistakes. Whether Mr Kuchma can succeed where Mr *Gaidar has so far failed depends* on whether they draw the correct conclusions. Ukraine must move faster not slower – those siren voices calling for a gradualist approach must be ignored. But it must move across a wider reform agenda than the Russian government has tackled so far.

Ukraine's first priority is to curb inflation. It must stop net credit creation by the central bank and cut deep into the government subsidies which are responsible for the huge budget deficit. But an IMF-style stabilisation programme has no chance of success unless accompanied by measures to encourage private economic activity.

The government should end monopolistic state orders; auction state owned trucks to permit goods to be brought to cities; announce a tax holiday and auto*matic registration for new small* businesses; and organise small-scale privatisation auctions. Only then might stabilisation be sustainable.

Ukraine cannot succeed without western aid to finance imports and help fund the budget deficit, preferably in return for decommissioning its nuclear weapons and dangerous nuclear power plants. The aid needs to be conditional on structural reform as well as macroeconomic targets; and should follow tangible steps towards stabilisation and *liberalisation.*

At least the talk in Kiev is now encouraging. But only action can prove the sincerity of the govern*ment's words.*

Gambler eyes his crowning glory

François Mitterrand is determined that Maastricht will be ratified, write **David Buchan** and **Andrew Gowers**

Among the ornate objects lining the presidential chamber in the Elysée, a sculpture of Time's Wingèd Chariot would not now be completely out of place. For at 76, and not in the best of health, François Mitterrand knows he does not have much time if he is to save what he regards as his final and crowning European achievement – the Maastricht treaty on European union.

The next few days will be crucial. When he takes his place as the senior statesman at the Edinburgh summit on Friday, the French president will be fighting for Maastricht's survival in the face of monetary disorder, political disarray and doubts as to whether two countries – Denmark and Britain – will ever ratify the European pact.

If there are any doubts that salvaging the treaty is at the heart of this weekend's deliberations, Mr Mitterrand is determined to lay them to rest. Looking pale but resolute, he says Maastricht remains the only route-map to European integration, and he will brook no alternative. It can be neither renegotiated for the 12 nor watered down *for individual members, he* insists. By the end of this year, 10 EC states will have ratified it, and if Denmark and/or Britain fail to do so, *the others will proceed regardless.*

"We cannot make an agreement minus a single currency, minus the central bank, minus a common foreign policy ... rejection [of Maastricht] by the countries in question [Denmark and Britain] would not stop the construction of Europe," he insists. Maastricht, he claims, could be legally adapted to a smaller number of countries.

Mr Mitterrand's summit partners will find him at Edinburgh returning to the tough line he took in the immediate after-shock of the Danish referendum which rejected the treaty last June. In effect, he is staking all on European union – looking to the European stage for success that, with his Socialist party almost certain to be defeated in next March's parliamentary elections, he can no longer hope for at home.

A passion for European integration is the one consistent theme in *the president's long and tortuous* political career, stretching back to his experience as a German prisoner in the second world war. The *likely advent of a centre-right gov*ernment in France next spring he will be less involved in domestic affairs. But he will still be able to determine the overall thrust of policy by helping lock France, and others, into Maastricht. He has recently proposed a series of constitutional reforms; but they are mainly designed to strengthen the parliament at the expense of the government, and nothing in them would diminish his presidential prerogative in foreign policy.

Is Mr Mitterrand bluffing in warning that the rest of Europe could leave Britain and Denmark? Certainly, he is a gambler who has shown himself to play for high political stakes against uncertain odds. He refuses to admit any tactical error in putting Maastricht to a referendum in his own country.

He brushes aside observations that the very strong showing of Maastricht's opponents in the French referendum campaign *helped destabilise the European* Monetary System. It was, he says, "a very fine campaign" because Maastricht jolted Frenchmen and women out of their indifference to referenda of recent years, providing a turnout of more than 70 per cent.

Just how much of a chance he consciously took, he is only now prepared to spell out. "Ask my staff *and they will tell you that I never* expected more than 52 per cent [approval]". His EC counterparts would have trembled had they known how fine his calculation was.

In the end, it was a 51.4 per cent approval for Maastricht. And the *margin of victory was bigger than* that by which John Kennedy beat Richard Nixon, says the president, as though 1960 was yesterday. *More to the immediate point, he notes* that it was a bigger margin than that by which Maastricht failed in the Danish referendum. Yet, Mr *Mitterrand, whose own rating has* touched all-time lows for Fifth Republic presidents, knows better than anyone the fickleness of public opinion. That seems to be why he appears so anxious to avoid the impact on a still-undecided Britain of a second, and possibly again negative, referendum in Denmark.

There is a clear distinction in the way the president talks about Denmark and Britain. He is readier to discuss a European Union without Denmark. "There would be no reason to displace it [Denmark], though once Maastricht enters into force, there will be a disparate situation which will require some changes." But, beyond general warnings that laggards get left behind in European integration, he is deeply reluctant to enter into the specifics of Maastricht-without-Britain. "*I do not despair at all that* Britain will adhere to the treaty which the head of its government has signed."

*He refuses to join in the wide*spread criticism of the UK presidency. Indeed, he says Mr Dominique Strauss-Kahn, his trade minister, "went too far" in describing Britain's handling of EC business as calamitous. But the president is implacable on one point: John Major would be making a serious mistake if he delayed completing UK ratification until after a second Danish referendum. This is precisely what Mr Major promised potential back-bench rebels in order to win his Maastricht vote in the House of Commons last month. "British policy should not be put in tow to Danish policy," Mr Mitterrand says, adding with ill-concealed disdain: "I don't see how Great Britain can allow its decision to be made in another country."

There are many who now argue that the Community's present disarray stems not from bad faith of individual governments, but from inherent flaws in the Maastricht *treaty. Mr Mitterrand will have* none of this. "Europe has not broken down", he flatly asserts. The treaty flowed logically, he argues, from the *Single European Act*, negotiated in 1985, which set in place the single market. "Maastricht is designed precisely to ensure that this free market is not simply anarchy." For example, he sees Maastricht as an overdue treaty of protection in that it provides for police co-operation in a frontier-free Europe. Without such provisions, he said, you would have a Europe "open to all winds".

But surely the treaty's core provisions on economic and monetary union (Emu) now seem too ambi*tious and too rushed? Nonsense, the* French president says. "We needed a fairly rigorous convention [on Emu], and I repeat that 10 out of 12 *countries have imposed this disci*pline on themselves ... the more it would have been delayed, the less it would have worked".

Mr Mitterrand has had sharp reminders in recent weeks of how true this is, as market doubts about the feasibility of Emu have even shaken, though not broken, the parity link between the franc and the D-Mark within the exchange rate mechanism of the European Monetary System. But the president grandly dismisses the views of the money-changers. "Speculation *[against the franc] does not exploit* doubts, it *creates* doubts."

The president affirms, with some justice, that "the French economy is *the best in Europe at the moment*", and says that "devaluation is never considered a good policy". He is open to, though not yet convinced of, the idea of narrowing further the limits *within* which the franc can fluctuate against the D-Mark. It is "for discussion", he says.

In this area, too, all other considerations are subordinate to *Maastricht's* economic disciplines. France's persistently high unemployment rate – itself partly a side-effect of the franc fort policy – is "quite dramatic", the president concedes. But it is a "social problem", he says, and, by implication, a problem of second order. He points out that joblessness has risen faster in Germany and Britain over the past year than in France.

If there are particular doubts about France's strong exchange rate policy and commitment to continuing disinflation, it is because its Socialist government faces the voters in March. But Mr Mitterrand insists that this fact, too, will not stampede it into changing course. "This government will maintain exactly the same economic attitude which it has had since the start." No one is better placed than the French president to persuade Bonn of Europe's need for lower German interests.

Mr Mitterrand says he raises the issue constantly in his talks with Chancellor Kohl. "But I respect their policy because I know they have pressing [budgetary] obligations which are very heavy."

Christophe Delliere

President François Mitterrand: 'Europe has not broken down'

Mr Mitterrand's *sense of urgency* concerning of the need for Europe to progress is nowhere more evident than in his new-found openness to new EC members. France used to be very insistent on the Community getting its house in order before admitting new members. Earlier this year, it was still demanding that formal enlargement negotiations with the countries of the European Free Trade Association (Efta) could not begin until Maastricht was universally ratified and future EC financing decided. Mr Mitterrand now blurs these pre-conditions, and has no difficulty in joining Germany and Britain in calling for accelerated talks with Austria, Sweden, Finland and Norway – but not now Switzerland – to be wrapped by the end of 1993.

The desire of the first three of these countries to marry EC membership with their long-standing *neutrality* will be the main negotiating issue. "That [neutrality] is a problem for them, not or us," says Mr Mitterrand. Neutral countries should not be allowed to thwart the Community's efforts to project a more forceful role in the world, though the president concedes that existing EC states have done just that in the case of Yugoslavia.

As with Efta, so with the lengthening queue of would-be EC members in eastern Europe. Once a proponent of deepening as opposed to widening the Community, Mr Mitterrand has now come around to a very broad view of Europe potentially encompassing any democratic state on the continent with a sufficiently strong economy. The Balkans and the Baltic states? Russia and the Ukraine? "Why not?". Here, his vision of a future Europe stretches even further than that of Mr Kohl.

How could such a diverse membership be accommodated in a Com*munity* based on the Maastricht treaty? That is a long term question that Mr Mitterrand is happy to leave to his successors. For the *moment*, the job in hand is ratifying Maastricht, and Mr Mitterrand insists he is fit for the task.

PERSONAL VIEW

The ultimate opt-out

By Martin Feldstein

The UK's decision to postpone the parliamentary vote on the Maastricht treaty makes this week's Edinburgh summit an important occasion for examining how other EC members interpret the proposed agreement.

[illegible] point would be the [illegible] on Denmark's decision [illegible] the Maastricht [illegible] the Treaty of Rome which [illegible] the European Community [illegible] explicitly provides that all [illegible] provisions must be unanimous [illegible] continental politicians now [illegible] that Denmark does not have [illegible] right to block the treaty [illegible] proposed at Maastricht. Denmark should therefore be [illegible] the EC if it does not [illegible] Maastricht, they say.

If Britain [illegible] to ratify the treaty, or [illegible] some future proposed treaty [illegible] would it be [illegible] the Community?

Edinburgh [illegible] the opportunity [illegible] that, even if Britain [illegible] the treaty, it not [illegible] has the [illegible] right to maintain [illegible] currency but could expect [illegible] penalties or recrimination. [illegible] *important because* the benefits of participating in monetary union would be outweighed by the adverse effects on UK unemployment and inflation.

A single currency would simplify UK business [illegible] within the EC. But [illegible] gains are small in comparison with the higher average cyclical unemployment in Britain that would result from the loss of a national monetary policy and of a currency that responds to market forces to maintain competitiveness. And contrary to the claim of the European Commission, there is not [illegible] nor logic to suggest that a single currency is needed to benefit *from* the trade gains of a single European market.

Despite talk of an independent European central bank committed to price stability, Maastricht gives the Council of Ministers the power to tell the proposed central bank how to manage the external value of the common European currency and thus the power to set a more-or-less inflationary monetary policy for Europe as a whole. Is that what President Mitterrand meant when he told the French public that European monetary policy would be determined by politicians and not by central bankers?

The political consequences of the Maastricht treaty would be even more important than its economic effects. Maastricht anticipates that all decisions about foreign policy and military actions would eventually be made at the Community level. The Edinburgh summit might clarify what would happen if Britain did not want to participate in some future military action. Could Brussels nevertheless conscript British subjects to fight in a war?

Brussels has come under strong criticism for excessive involvement in the domestic matters of member states. *Subsequent assertions by the* Commission that Brussels would in the future be more accountable to the elected members of the European Parliament did little to reassure those people who were concerned about losing national self-determination.

The principle of subsidiarity – assigning decisions to the lowest appropriate level of government – has therefore been emphasised in an attempt to reassure people that they and their national governments will not lose control over important issues. There is, however, so little practical content to the idea of subsidiarity that it cannot provide comfort to anyone who worries about a European federal government's assumption of authority *for* rules affecting local lifestyles and national fiscal policies.

As an American, I am accustomed to the drift of authority from state governments to Washington. Despite the US Constitution's unambiguous 10th Amendment (which reserves to the individual states all powers not specifically vested by the Constitution itself in the central government), Washington now determines things such as the maximum speed limit on state roads and the minimum age at which people can purchase beer.

The issue of subsidiarity involves domestic fiscal policy as well as personal lifestyle issues. The original Delors plan for the Maastricht treaty would have constrained national budget deficits. National tax authorities are already restructuring value added taxes to conform to European guidelines. Although the EC has little revenue of its own, is there anything in the treaty to stop a flow of fiscal power and resources to the centre if a European majority wants to do so?

The ultimate protection of national sovereignty is the right to *withdraw from the EC. It is signifi*cant therefore that the Community treaties contain no provision for unilateral withdrawal. What would happen if a country felt that its national interest and way of life were so threatened by the rules of a centralised European government that it wanted to leave? Could it be compelled by force to remain?

These questions are as difficult as they are important. The success of the Edinburgh meeting will be measured by the extent to which it provides clear answers.

The author is a professor of economics at Harvard University

Edward Mortimer

Pass the human parcel

The EC resolution on asylum may force refugees to countries least able to support them

FOREIGN AFFAIRS

At European Community summits many statements are issued. Only a few are seriously discussed. One statement which this week's Edinburgh summit can be relied on to nod through is a "declaration on principles governing external aspects of migration policy", proposed by the British presidency.

While welcoming the "greater ease of travel and contacts throughout Europe" allowed by the collapse of communism, the summiteers will express their concern that "uncontrolled immigration could be destabilising and could undermine the situation of third country nationals who have legally taken up residence in the member states". And they will go on to list the factors they think could help reduce migration: "the preservation of peace and the termination of armed conflicts; full respect for human rights, including respect for minority rights; the creation of democratic societies and adequate social conditions; a liberal trade policy, which should improve economic conditions in the countries of migration; and co-ordination of action in the fields of foreign policy, economic co-operation and immigration and asylum policy".

If that is to be taken as a list of devout Christmas wishes, it borders on the platitudinous. If it is a list of New Year resolutions on which the EC's member states intend to act it is laudable, but strains credulity. They hardly have the power to create democracy, let alone adequate social conditions, beyond their own borders. They apparently lack the power, or anyway the willpower, to preserve peace and terminate armed conflicts. They have done a bit, but hardly enough, to encourage respect for human and minority rights. They presumably do have the power to adopt a liberal trade policy, but seem disinclined to exercise that power when dealing with goods that "countries of migration" can actually produce at competitive prices such as steel.

That leaves "co-ordination of action", notably in the field of immigration and asylum policy. Here the member states have indeed been busy, although they remain strangely coy about the details of what they have been up to.

Last week the ministers with responsibility for immigration matters met in London under the chairmanship of the British home secretary, Mr Kenneth Clarke. They did issue a press release listing the recommendations they had approved and the resolutions they adopted, but the texts of these documents were not made public.

If it were up to the British government the texts would no doubt still be shrouded in that cloak of secrecy with which it instinctively surrounds all its activities when not positively obliged to disclose them. Mr Clarke, for instance, had nothing to say about his deliberations with his European colleagues when he appeared the next day before the House of Commons committee considering Britain's own national Asylum Bill.

One might think – indeed some MPs did think – that the former would have some bearing on the latter. But apparently it is none of their business.

Luckily the Dutch government is rather less secretive. And so the texts of last week's resolutions soon became available to British non-governmental organisations and journalists.

One of those resolutions, calling for an "accelerated procedure" to deal with "manifestly unfounded applications for asylum", was referred to in this column on October 28. I am happy to report that some of the more offensive language I quoted then from the original British draft, advising refugees to stay in their own countries or continents, has disappeared. And the overall objective, to speed up the processing of applications in the interest of genuine refugees as well as that of host country, is reasonable enough.

But the resolution does not suggest that other EC countries should follow the Dutch example of speeding up the process by offering applicants free legal aid. Instead it introduces the notion of the "host third country", defined at some length in an accompanying resolution, but meaning in essence a country outside the Community – other than the refugee's own – from which he (or she) has come and to which he (or she) can be sent back.

Did I say "can"? It is actually more like "must". Although there is a let-out clause under which "any member state retains the right, for humanitarian reasons, not to remove the asylum applicant to a host third country", any state which exercises that right in more than a handful of cases will clearly be letting the side down, since "the principle of the host third country is to be applied to all applicants for asylum, irrespective of whether they may be regarded as refugees", and "thus, if there is a host third country, the application for refugee status may not be examined and the asylum applicant may be sent to that country."

In short, the object of the resolution is to make sure that refugees are sent back to the first "safe" country they were able to reach. It complements the Dublin Convention, signed in 1990, under which member states agreed that asylum applications should be dealt with by the first EC country in which the applicant had arrived.

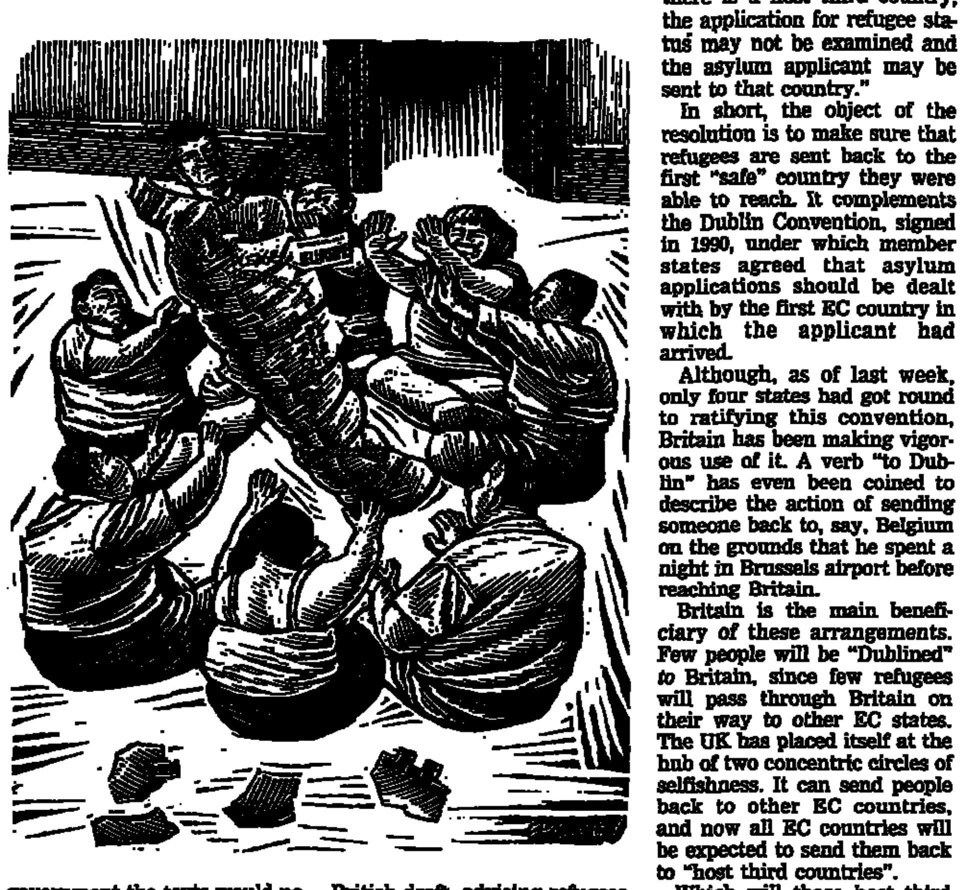
Although, as of last week, only four states had got round to ratifying this convention, Britain has been making vigorous use of it. A verb "to Dublin" has even been coined to describe the action of sending someone back to, say, Belgium on the grounds that he spent a night in Brussels airport before reaching Britain.

Britain is the main beneficiary of these arrangements. Few people will be "Dublined" to Britain, since few refugees will pass through Britain on their way to other EC states. The UK has placed itself at the hub of two concentric circles of selfishness. It can send people back to other EC countries, and now all EC countries will be expected to send them back to "host third countries".

Which will those host third countries be? All too often the central European ones closest to the horrors that people are fleeing from, and most in danger of being sucked into those horrors themselves: Macedonia, Croatia, Slovenia, Hungary, the Czech and Slovak republics, Poland. All those countries, in the midst of their own desperately difficult transition to democracy and the market, are struggling to cope with great flows of refugees and migrants, and have neither the institutions nor the resources to cope with them.

To qualify as a host third country, you must not threaten the life or freedom of the applicant, or subject him to torture or inhuman or degrading treatment, or send him back to the country whose persecution he originally sought to escape. As soon as you pass this test, your reward is to be expected to keep all the refugees that arrive on your own territory, and to accept back all those that have tried to move on to more prosperous and stable countries, which one might think better equipped to look after them.

Is it by this obscene game of pass-the-human-parcel that west European leaders believe they will encourage "full respect for human rights" and "the creation of democratic societies and adequate social conditions"?



The object is to make sure that refugees are sent back to the first 'safe' country they were able to reach

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Building societies: a spread that would be a little too thin

From Mr Mark Boléat.

Sir, Mr Mark Hull (Letters, December 4) suggests that 30 years ago building societies borrowed money at 4 per cent and lent it at 5 per cent, whereas now there is a 3 percentage point spread.

In 1962, the average rate of interest paid on building society shares was 3.7 per cent which, after payment of tax by the building society, equated to a gross cost of 4.46 per cent. The average rate of interest charged on mortgages was 6.61 per cent, a margin of 2.15 per cent.

In the first half of 1992, the average cost of shares was 9.04 per cent and the average rate charged on mortgages was 10.9 per cent, a smaller margin at 1.86 per cent.

Mr Hull would like a 1 percentage point spread and his manager on the golf course at 3 o'clock. Sadly, neither is attainable at present.

A 1 percentage point spread might just be sufficient to cover the management adequacy of a society. However, it would be insufficient to meet rigorous capital adequacy requirements, especially bearing in mind the effect of the recession on bad debts provisions.

Mark Boléat,
director-general,
The Building Societies Association,
3 Saville Row,
London W1X 1AF

From Mr Antony L Millard.

Sir, Mr Mark Hull is mistaken. The rule (used by the American savings and loan institutions until the 1980s) is in fact "3-6-3" (borrow at 3 per cent, lend at 6 per cent, be golfing by 3pm).

The so-called technological age has done nothing but electrify their golf-carts.

Antony Millard,
Leslie & Godwin Financial Risks,
6 Braham Street,
London E1 8ED

Whacky, but an answer to a little understood problem

From Mr Donald Clarke.

Sir, Your leader on the prospective demise of the unlisted securities market ("Going to market", December 1) makes the remarkably perceptive point that an external source of equity capital is more important for British companies than for their German counterparts.

Remarkable because this basic fact of British economic life seems to be so little understood.

The difficulties faced by companies needing the oxygen of base capital at a time when they are stifled by excessively large and expensive amounts of debt point to the need for a permanently available institutional source of equity capital. It is inevitable that such capital will become more scarce and expensive as the liquidity of the secondary market declines, however easy it may be in times of booming corporate profits and investor demand.

There is thus a clear need for an institution capable of providing equity capital to private companies in all economic weathers. It must be able to acquire inexpensively, and hold indefinitely, equity stakes which provide its own shareholders with little short-term income, but with the compensation of long-term capital growth.

I could, if you like, suggest a name for the proposed institution, reflecting its long-term commitment to British business – "Investors in Industry", or, if you prefer a more whacky abbreviation, "3i".

Donald Clarke,
Barton St David,
Somerton,
Somerset TA11 6BJ

Indian industrialist warns of danger of divisiveness

From Mr Ratan N Tata.

Sir, The wanton act of destruction at Ayodhya on Sunday will remain as a dark moment in India's history. All right thinking Indians must feel a great sense of loss.

Our independence was won through non-violence. As the world's largest democracy India has built an international reputation as being a secular nation where all religions have co-existed peacefully. It is therefore unforgivable that political parties can consciously fan religious fanaticism and hatred to serve their own selfish political ends.

The time has come for the people of India to stand up against these divisive forces by fighting communalism and hatred. We should instead all work together to strengthen our common bond of units – *we are all Indians.* Let us not destroy our heritage.

Ratan N Tata,
chairman,
Tata & Sons,
"Jeevan Bharati",
Tower 1, 10th floor
124 Connaught Circus,
New Delhi 110 001,
India

Mistrust and angst behind Swiss rejection of EEA

From Mr Bijan-Daniel Khezri.

Sir, Your editorial on Switzerland's rejection of the European Economic Area ("A shot across the EC's bows," December 7) rightly states that the larger question at stake is the very future of the Swiss political system.

Close analysis of the Swiss discussion on the EEA, particularly in German-speaking Switzerland, further suggests the following:

- Communication between the political and business elite on the one side and the public on the other broke down completely. As you stated: "The people trusted their instincts more than their leaders." Misinformation, largely circulated through privately sponsored advertisements in the local press, dominated the scene. Europe's political class and business leaders have failed to make the (so far diffuse) notion of subsidiarity and supranationality accessible to the public in a time of changing values and ever increasing political and economic transnational interdependence.
- Swiss rejection of the EEA is principally a rejection of the majority Germany-speaking Switzerland, where discussion had little to do with Europe itself, but was a reflection of a deeply rooted angst of losing one's very specific cultural identity.
- Swiss rejection of the EEA runs smack into constitutional realities. It raises the question whether Swiss direct democracy is practical at a time when long-term structural decisions have to be taken which simply surpass the comprehensive capabilities of the average masses.

Bijan-Daniel Khezri,
student,
Institut Universitaire de Hautes Etudes Internationales,
rue Rene-Louis Piachaud
CH-1204 Geneva

Defying conventional wisdom

From Mr Denis MacShane.

Sir, Your report on Renault's impressive success ("U-turn on the road to ruin", December 3) notes that the company is 80 per cent state-owned and its state-appointed chairman and chief executive is a former aide to the Socialist prime minister, Laurent Fabius.

Does this not fly in the face of the conventional wisdom that only privately-owned firms can succeed and that civil servants running industries are always a disaster?

Denis MacShane,
International Metalworkers' Federation,
54 bis, route des Acacias,
Case postale 563,
CH-1227 Geneva

OBSERVER

A tale of two heads

■ Fancy a flutter? If so, you might try one of the Russian commemorative coins just unveiled in the former Soviet embassy in what was East Berlin, with a view to netting D-Marks by the million for Moscow's hard-up treasury.

Although introduced by a Russian mint official called Vladlen Antipov, whose first name is shorthand for Vladimir Lenin, the coins bear the old Tsarist insignia of the double-headed eagle. "It is our new national emblem," he said.

True, he went on, there was the little local difficulty of the latest People's Congress failing to approve the new national arms. But it had not definitively rejected them either. "We give no guarantees, but I think more deputies are for the eagle than against."

Whereupon up popped Russian diplomat Vladimir Polenov with an entrepreneurial twist. If the People's Congress did give the bird to the eagle, the value of the coins could soar by a hundredfold, he thought.

Beaming, Antipov followed up by naming a likely best buy for German collectors, who for "historical reasons" tend to take up three-fifths of the commemorative coins issued by the Moscow mint.

On the obverse side from the eagle, he said, the 25 rouble specimen in palladium bore a smiling Catherine the Great, German-born and an enlightened despot to boot. Just the thing for a Christmas present at DM 650 a throw.

Burning issue

■ While parliament quibbles over who should pay for restoring the burnt-out ruins of Windsor Castle, MPs might give a little thought to their own fire precautions.

According to today's report on same from the National Audit Office, the Palace of Westminster has been without a fire certificate since 1979 when an inspection declared the provisions inadequate. It could be as long as three years before the Home Office Fire Service Inspectorate is able to issue new documentary approval.

As if that were not bad enough, the Treasury also lacks a fire certificate. Several departments share the Great George Street building, and there was apparently confusion over which of them was responsible for making the application.

Officials say they're looking forward to receiving the necessary paper any day. But given the record of Treasury forecasters, it would probably be wise to pack a wet blanket in your briefcase when going to 1 Great George Street...especially if visiting permanent secretary Sir Terry Burns.

Crooked

■ A Wall Street newsletter, speculating on the next career move of an unfortunately named Smith Barney official, heads its story – "Lehman to name Smith Barney's Crooks to run trading".

In the dark

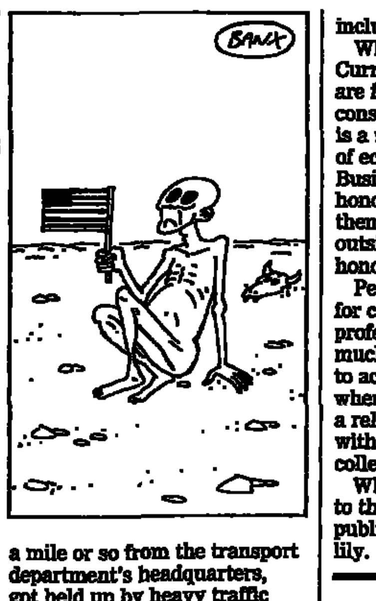
■ A black day for transport minister Steven Norris and his official re-opening of London's Victoria coach station, restyled and fitted with all kinds of high-tech gadgetry at a cost of £4m.

For one thing, his mother – a regular coach-traveller – had bowled down from Nottingham to see him perform. But he, coming only a mile or so from the transport department's headquarters, got held up by heavy traffic and was 20 minutes late.

What's more, even when he arrived, there was no lighting, no heating, nothing on the new passenger-information screens, and no computer ticket-dispensers at work. Thanks to a local power failure, Britain's busiest coach station – with 160,000 comings and goings a year – was blacked out.

So he took his mother on a tour of the gloomy complex, sporadically enthusing about how excellent the improvements would be when they worked.

And at least there were some real-life passengers to see, awaiting their departures in the dark.



Title inflation

■ When is a professor not a professor?

The question has been posed by some churlish individuals who have noted that members of the Treasury's new private-sector forecasting panel who are listed as professors include Tim Congdon.

While Wynne Godley, David Currie and Patrick Minford are full-time university types, consultancy-owner Congdon is a mere honorary professor of economics at Cardiff Business School. Usually, honorary profs tend to call themselves plain mister when outside the university that so honoured them.

Perhaps the reason is that, for career academics, a professorship generally takes much time and achievement to acquire. Moreover, even when they've won it, most earn a relative pittance compared with some of their honorary colleagues.

Whatever the latters' rights to the title, their use of it in public smacks of gilding the lily.

Free lunch?

■ If public relations is all about winning friends and influencing people, then the small London PR outfit Rostron Parry may well be approaching its profession the wrong way.

Its invitation certainly stands out from the general run as the Christmas party announcements roll in. Rostron Parry takes "great pleasure" in inviting Observer to lunch...then asks for a cheque for £14 to cover food and "a reasonable amount of drink".

Can times be so hard that even journalists are expected to pay their own way?

Pecking order

■ A plump pigeon in a laboratory cage turns to its starving neighbour: "Why don't you try a bit of psychology? I've got the staff here so well conditioned that every time I peck this button, they feed me."

FINANCIAL TIMES
Wednesday December 9 1992

German interest rate rise provoked September turbulence, says banker

Bank blamed for currency crisis

By David Waller in Frankfurt and Quentin Peel in Bonn

THE BUNDESBANK was partly to blame for September's turbulence in the currency markets, through its controversial decision to increase interest rates in July, a main board director of Deutsche Bank, Germany's largest bank, said yesterday.

Mr Ulrich Cartellieri, the board member responsible for economics, said the market judged that other countries would be unable to follow suit. Investors had behaved accordingly, moving their assets out of softer currencies into the D-Mark.

His remarks coincided with a defence of the Bundesbank by Mr Horst Köhler, the state secretary for finance in Bonn, who warned that countries with weaker currencies could not expect to have their exchange rates supported by automatic interest rate cuts by the German central bank.

At the same time Mr Köhler, Germany's chief international financial negotiator, warned that the Bundesbank could not conduct its monetary policy totally divorced from political reality and all democratic control. He said he would like to see lower interest rates in Germany.

Mr Cartellieri's remarks amount to the first open criticism of Bundesbank monetary policy from the top levels of the German banking industry.

In an implicit rebuke to Mr Helmut Schlesinger, the Bundesbank president who in a recent speech blamed speculators for the currency turmoil, the Deutsche Bank economist said that those who were indulging in so-called speculation were careful financial managers, in big companies and in financial institutions, who had large cash balances in the weaker currencies.

"It was obvious for months that above all Britain, but also France, needed lower interest rates in order to enliven their economies," Mr Cartellieri said. That was made impossible by the Bundesbank's decision to increase its discount rate by 0.75 points to 8.75 per cent on July 16, in an attempt to curb domestic inflation.

The resulting currency turbulence had damaged German industry by increasing the value of the D-Mark against other currencies.

He said that under present circumstances there was a real danger of a "downwards spiral" of devaluation, with threatening consequences for jobs, investment and economies across Europe. It was essential to carry on towards the goal of a single currency for Europe, Mr Cartellieri said.

Mr Cartellieri's remarks, appearing only two days before the Bundesbank Council meets tomorrow to determine a target for next year's M3 broad measure of money supply, amount to a sharp attack on the central bank's monetary policy.

Moreover, his firm support of monetary union contrasts with Mr Schlesinger's own increasingly equivocal statements on the issue.

He said the effectiveness of the Bundesbank's high interest rates – subsequently reduced by what he called a "minimal amount" as part of the realignment of the currencies in the EMS exchange rate mechanism in September – was questionable. He cited inflation still running at 3.7 per cent, and annualised M3 growth running at 10.2 per cent in October.

THE LEX COLUMN

High stakes down under

Few doubt the wisdom of British Airways' expansion strategy, but some shareholders may be feeling a touch nervous at the financial implications of its aggression. As if TAT, Dan-Air and the mooted $750m stake in USAir were not enough, British Airways is also bidding to take a 25 per cent stake in Qantas, the Australian national carrier which is being privatised next year.

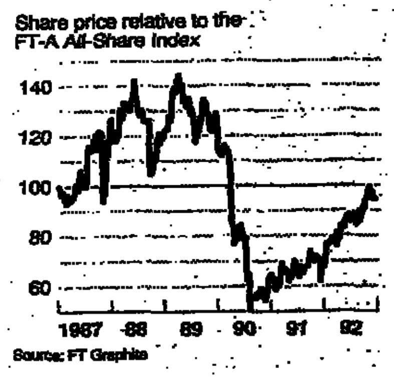
The deal is far from done and BA will face strong competition from Singapore Airlines and Air New Zealand. In order to secure the stake, BA may have to put £250m-£300m on the table – although how quickly it would have to pay it out is unclear. Any such outlay would take gearing close to 70 per cent, which surely begins to test the limits of financial tolerance.

BA would doubtless argue that opportunities to secure a foothold in the lucrative Asia-Pacific market seldom arise. And the stock market's apparent equanimity suggests shareholders may be ready to accept the argument. Whether they would be willing to back it eventually with cash is an altogether different matter. BA may be inclined to tough it out on the basis that there is only likely to be one more poor quarter to come and that any gearing up should only heighten its rebound. Alternatively, some form of capital markets issue may provide a neat way of sidestepping the issue. Yet perhaps BA would be privately relieved if one of its deals fell through. Being the world's favourite airline can create its own dilemmas.

FT-SE Index: 2769.8 (+15.3)

Carlton Communications

Share price relative to the FT-A All-Share Index



Source: FT Graphite

Carlton

The rehabilitation of Carlton Communications continues apace. Yesterday's 15 per cent annual profits improvement underpins the share price recovery that has occurred over the past two years.

Carlton's troubles were never as dire as first depicted. In retrospect, its problems stemmed more from a clumsy shift from first to second gear rather than a slamming into reverse. Appropriately, for a company specialising in visual entertainment, Carlton now offers highly visible earnings growth. The video cassette division continues to grow strongly after a near-50 per cent rise last year, while Carlton promises that a raft of new video equipment will jolly profits along too. Carlton Television will start broadcasting next month. Although it will hardly contribute in the current year, it may add £20m to profits by 1994. Carlton should also benefit from a currency kick this year which may enable it to surpass its historic profits peak of £127m – even though earnings may not do the same until 1994.

That said, one wonders how deep the market's renewed love affair with Carlton can be. Carlton's historic rating is now sandwiched between the likes of Wellcome and Glaxo. Should the quality of earnings from Hollywood be rated as highly as those derived from the frailties of human health?

Siebe

Siebe may have got to the point where it is difficult to squeeze much extra margin from cost cutting. But since it has 45 per cent of its sales in the US, this may not matter too much. A stronger dollar and the high operational gearing at Foxboro should compound the impact of US economic recovery on its earnings. On that basis, the upward trend which has seen the shares outperform the market by nearly 40 per cent over the past year may have further to run.

The higher Siebe's rating, though, the greater must be the temptation to launch a rights issue and maybe another large acquisition. Siebe made it clear yesterday that this was not part of its short-term plan. Indeed there is no real urgency while debt is falling and interest is nearly four times covered. But the first inklings of an ACT problem have appeared and gearing would still be about 150 per cent were it not for Siebe's practice of capitalising research and development expenditure.

A rights issue to finance a UK acquisition could solve both problems. This need be not be negative for the shares as long as any acquisition is chosen for real strategic value rather than mere financial convenience. Foxboro has served the company well. Just the same, the uncertainty may at some point damp the market's ardour.

Deutsche Bank

Deutsche Bank may still be ahead of the game in spite of its 5 per cent fall in operating profits at the 10-month stage. True, this stands in sharp contrast to profits growth elsewhere in the sector and was sufficient to send shares lower yesterday. But the impact of Deutsche's aggressive expansion into east Germany is starting to fall away. Interest margins are being squeezed as savers in the east switch into higher-yielding accounts. Costs are also coming back under control now the task of building a branch network is drawing to a close. Next year's figures should be less clouded. Given the slide of west German industry into recession since the summer, the market may by then be more concerned with asset quality than operating profits.

By lending more in the interbank market rather than to its industrial and commercial customers, Deutsche is already sacrificing lending margins in favour of asset quality. By UK standards, the 1,000 job cuts next year promised by Deutsche's Mr Hilmar Kopper hardly amount to digging in for the long haul. Judged against the rosy optimism on the economy expressed by Commerzbank last week, though, Deutsche is more alive to the risks of recession.

UK privatisations

Politicians never like to rock the boat. Because the government felt well served by S.G. Warburg in the last BT sale, it is natural for it to pick the same house to co-ordinate the next one. One wonders, though, how far the Treasury has thought through the consequences. Intentionally or not, it is building up Warburg at the expense of other UK houses which need a track record in order to bid for the large equity issues that are becoming a common feature of overseas privatisations. Ironically, foreign houses that help with the international sales can put UK privatisation experience on their CVs. As long as they are not part of the team, domestic houses cannot.

Warlord to welcome US troops

Julian Ozanne meets the man who controls the Somali port of Kismayo

COLONEL Omar Jess, the Somali warlord who controls the wild southern city of Kismayo, turned to face the Indian ocean yesterday at the deserted port and gazed towards the horizon. He could have been looking for the French and US ships carrying troops which are expected to land in Kismayo and Mogadishu at dawn this morning.

Col Jess, leader of the battle-hardened Ogadeni clan-faction, is the only man who can offer safe passage into Somalia's second largest port and a main objective of the US-led military intervention.

"We want the US soldiers to come because there is anarchy and chaos in the country, there is looting and gangs and warmongers," said the colonel, leaning against a Land Rover armed with a mounted multiple grenade launcher adapted from a MiG-23 fighter jet.

The port and airport at Kismayo are vital to transport food up the Jubba Valley where the people are suffering the worst starvation.

If foreign troops encounter violence it is most likely to be in Kismayo where at least four clans are battling for control of the town's scant resources.

Mr Sean Devereux, a Unicef official in Kismayo, says: "Somalis in Kismayo have been used to localised power and they have seen what the gun can do and what power it can bring."

The United Nations had to evacuate Kismayo in October because of looting, hijacking of aid planes, intimidation and death threats against UN aid workers. The last three Unicef passenger planes into Kismayo have all been robbed at gun point.

Several ships have been looted while docked. In the last food shipment, only 20 per cent reached the most severely affected starving people. The rest of the trucks controlled by the local "authorities" were "diverted".

Robin Oakley (right), US special representative for Somalia, meets Ali Mahdi Mohamed, who describes himself as interim president of the country, in Mogadishu

"Jess cannot control the men with guns who do what they want and take every opportunity to grab and take," says Mr Devereux.

Col Jess said he had done as much as possible to get food to his people. He did not get a cut from the looting, only a "few taxes" collected by local authorities under his control.

"The UN have destabilised Somalia, refused to help us and committed crimes which must be investigated and punished," he said. He also warned he would fiercely resist efforts to turn Somalia into a UN trusteeship. "We will fight anybody who wants to colonise us again. We want to be independent and free."

Like other warlords Col Jess says he will welcome troops but expects them to entrench the position he has established by force. He expects US troops to disarm the bandits, feed the starving, develop the country and then get out and give him his slice of power back.

As soon as this illusion fades he, like the others, will become less welcoming. The problem for Washington will come after the initial euphoria when they are sucked into the complicated twists of Somali politics and the clan structure they may not understand.

"Somalis can never give up their clan-armies," said one of Col Jess' aides. "We have to have our gunmen to protect our people and our interests. You must understand this. America can do nothing about it. It is part of our culture now."

WEU chief calls for effective military measures in Bosnia

By Robert Mauthner, Diplomatic Editor, in London

COUNTRIES IN western Europe should take more effective military measures to deal with the Bosnian crisis, Mr Wim van Eekelen, secretary-general of the Western European Union, said yesterday.

The measures should include the establishment of "safe havens" for the Moslem population of Bosnia, as western allies had done for the Kurdish population in northern Iraq, and the provision of military air cover for aid convoys.

At a valedictory press conference in London before the 10-nation defence organisation moves its headquarters to Brussels next month, Mr van Eekelen said the United Nations operation in Bosnia "has probably reached its limits, as far as peacekeeping is concerned."

He did not think that either China or Russia would agree that the UN should become militarily involved in Bosnia, beyond its present task of providing protection for humanitarian aid convoys. That was why he believed the European countries should take a lead, if necessary outside the UN context.

Mr van Eekelen recognised the reluctance of all countries to become "massively engaged with ground forces" in the former Yugoslavia. But the European countries should set themselves more limited objectives and then make sure that they were attained, which was not the case at present.

"Military measures are sometimes necessary to achieve political objectives," Mr van Eekelen added. "Our credibility is zero politically because we are just not doing anything."

Mr van Eekelen said that while the joint Nato-WEU naval blockade in the Adriatic had been successful in preventing supplies reaching Serbia and Montenegro by sea, much tighter controls had to be imposed to prevent sanctions busting on the Danube.

Aircraft should be provided to protect aid convoys and should be authorised to fire back if a convoy was attacked or remove any obstacles in its way.

Mr van Eekelen said a more dynamic and independent European defence posture was particularly necessary in the light of the progressive withdrawal of US troops from Europe.

Although he hoped the American military presence in Europe would be maintained at a reduced level, the only chance of preserving Nato as a viable organisation was to transform it into a genuine two-pillar alliance. It was no longer just a question of burden-sharing, but more equal partnership.

Greek party sniping, Page 2

Hopes rise for Danish deal

Continued from Page 1

his tour of capitals ahead of the summit had drawn speculation that Anglo-French relations have deteriorated significantly during Britain's six-month presidency of the Community.

The Brussels talks yesterday were aimed at meeting Denmark's demands for opt-outs on a common European currency, a putative European army, justice matters and EC citizenship. Mr Jean-Claude Piris, head of the European Council's legal service, who helped draft the UK paper, declared that the UK formula for the 12 heads of government to take a "decision" on Denmark's demands would not require member states to reratify Maastricht.

Foreign ministers and Mr Jacques Delors, European Commission president, also contrasted their still unresolved differences on subsidiarity – decentralising decisionmaking – and making Community business more open and democratic.

World Weather

		°C	°F
Ajaccio	S	12	54
Algiers	C	15	59
Amsterdam	Fg	6	43
Athens	S	17	63
Bahrain	S	22	72
Bangkok	F	33	91
Barcelona	S	13	55
Beijing	F	3	37
Beirut	C	18	64
Belfast	F	5	41
Belgrade	C	7	45
Berlin	C	3	37
Biarritz	C	11	52
Bombay	S	31	88
Bordeaux	C	11	52
Boulogne	F	7	45
Brussels	Fg	6	43
Budapest	C	4	39
Buenos Aires	F	26	79
Cairo	F	20	68
Cape Town	S	23	73
Caracas	R	28	82
Casablanca †	F	17	63
Chicago †	C	-3	27
Cologne	C	8	46
Copenhagen	R	4	39
Corfu	F	15	59
Dallas †	C	6	43
Dublin	F	5	41
Dubrovnik		–	–
Edinburgh	S	2	36
Faro	S	16	61
Florence	R	8	46
Frankfurt	C	6	43
Geneva	F	5	41
Gibraltar	S	15	59
Glasgow	F	1	34
Helsinki	C	-1	30
Hong Kong	S	23	73
Innsbruck	Sn	0	32
Inverness	S	1	34
Islamabad	F	19	66
Istanbul	S	12	54
Jakarta	C	32	90
Johannesburg	C	23	73
Lisbon	S	14	57
London	C	7	45
Los Angeles †	S	12	54
Luxembourg	C	5	41
Madeira	C	18	64
Madrid	S	10	50
Majorca	R	13	55
Malaga	S	14	57
Malta	F	18	64
Manila	C	31	88
Melbourne	F	17	63
Mexico City	F	20	68
Miami †	S	20	68
Milan	R	4	39
Montreal †	S	[illegible]	16
Moscow	S	-3	27
Munich	R	1	34
Nairobi			
Naples	R	14	57
Nassau	[illegible]	28	82
New Delhi			
New York †	S	1	34
Nice	F	12	54
Nicosia	S	19	66
Oporto	S	12	54
Oslo	C	2	36
Paris	C	6	43
Prague	Dr	1	34
Reykjavik	F	5	41
Rhodes	S	17	63
Rio de Janeiro	C	38	100
Rome	R	13	55
Salzburg	Sn	2	36
S'Francisco †	F	7	45
Seoul	S	9	48
Singapore	F	29	84
Stockholm	Fg	0	32
Strasbourg	C	6	43
Sydney	F	18	64
Taipei	C	22	72
Tangier	F	15	59
Tel Aviv	F	19	66
Tenerife	C	20	68
Tokyo	F	20	68
Toronto †	Sn	-6	21
Tunis	R	10	50
Valencia	S	16	61
Venice	R	7	45
Vienna	R	2	36
Warsaw	C	4	39
Washington †	C	3	37
Zurich	R	3	37

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES SURVEY

Call for stricter UK rules in wake of Maxwell affair
Page 2

GLOBAL CUSTODY

How custodians profit from hidden fees
Page 7

SECTION III

Wednesday December 9 1992

Once a dreary backwater of telex machines, clerks and computer tapes, global custody has become the focus of international rivalry. The effect has forced banks to think of new products to lure clients. Norma Cohen reports

Competition livens up

A CROSS-BORDER securities settlement and administration product, global custody has for years been little more than a back office operation, far from the glamour of banking.

In recent years, however, the business, once a dreary backwater of telex machines, clerks and computer tape, has been the beneficiary of large amounts of capital investment, as new bank competitors have entered the market.

The US-based commercial banks which have dominated this business are increasingly being challenged by the rise of strong international competitors, particularly in Japan and Continental Europe, and by investment banks which have only recently fully understood how to capitalise on their traditional role as master custodian for clients.

The effect has been a scaling-down of fees to levels previously undreamt of, forcing banks to think of new products which will make their service stand out from that of their competitors.

Earlier this year, the industry drew a collective gasp that State Street Boston, one of the top 10 custodians, planned to charge the US's largest institutional investor, the California Public Employees Retirement System, less than one basis point for global custody services.

A typical portfolio for a global custody client might carry fees around six basis points – down sharply from the 20 basis point fee which would have prevailed just five years earlier, according to Mr Michael Borkan, head of client relations at Bank of New York.

Fee pressures on European managers – who do not make custody charges public – are more modest than in the US, but custodians say that European clients will seek lower fees eventually as well.

In addition, the admission of fund managers – the clients of global custodians – to the international bank payments system known as Swift, raises some ominous questions for the future of some custodians. Clients will now be able to transmit instructions directly to, say, a sub-custodian bank in Thailand, bypassing the global custodian entirely.

"Fund managers may well communicate directly with each other and with subcustodians directly," says Mr Robert Meyrick, head of Barclays Global Securities Services. "Fund managers may eventually grow out of their need for global custodians," he says. Only by providing services such as cash management to an increasingly sophisticated clientele can custodians continue to retain their customers.

There are two main reasons why banks are eager to be in a business where fees are falling and competitors rising.

First, custodians have learned how to exploit certain ancillary aspects of transactions banking so efficiently that only a relatively small proportion of global custody revenues need come from client fees.

According to Mr Richard Foster, partner at the financial services practice of management consultants, Booz Allen, a study of the business has shown that no more than 50 to 60 per cent of custodians' revenues comes from client fees. An additional 20 to 30 per cent of revenues comes from the ability to earn interest on clients' cash balances, and the rest from foreign exchange transactions on behalf of customers.

Most clients are too sophisticated to allow their banker to exploit these inefficiencies at their expense, but they can still be sold bolt-on services such as cash management and foreign exchange dealing.

Moreover, with falling loan margins and rising write-offs from bad debts, banks are anxious to seek out fee-based services which are more likely to withstand the pressures of the present recession.

Ms Diane Glossman, banking analyst at Salomon Brothers, notes in a recent study of transactions banking in the US, that over the past decade, non-interest income at large US banks rose to 40.6 per cent of total revenues in 1991, from 28.0 per cent in 1981.

And while the largest portion of that has been from fees on client accounts, for some banks transactions fees have been quite significant.

"Given that we expect loan demand to remain lacklustre in the face of an unusually slow economic recovery in the US, we believe that banks will continue to seek fee income as a replacement for volume," Ms Glossman said.

Banks are willing to continue to invest large capital sums in their global custody businesses, Ms Glossman notes, because large economies of scale are available to the biggest participants, enabling them to charge competitive fees to clients.

Indeed, Booz Allen estimates that the doubling of assets under a custodian's control translates into a 35 per cent reduction in costs.

There appears also to be a return to more broadly-based banking relationships as the largest companies reduce the number of banks with which they conduct business. "Clients and banks are looking for linkage between products and relationship pricing," Ms Glossman says. Thus banks with a wide product range can capture clients more fully.

Some bankers acknowledge privately, too, that greater credit provision can be extended to a custody client because the investment portfolio offers the lender a greater comfort about liquidity and solvency.

Too many firms have, nevertheless, entered the global custody business, for it to be profitable for all. "We are looking for more consolidation," said Antonio Wever of Booz Allen. Already, Mellon Bank's recent acquisition of blue-chip Boston Safe Company is regarded as a signpost to the future.

The successful businesses which remain will be those which have most closely integrated global custody functions with other banking services. This means not only the ability to integrate the traditional master custody business with other services, such as cash or foreign exchange management, but also to present information to clients in an integrated fashion. Bank of New York, for instance, says it is developing a product which will allow clients to see not only their securities positions on a daily basis but all the supporting positions in derivatives or short sales elsewhere.

Such a product is of great interest to clients with investment portfolios which commonly include all sorts of exchange traded and bespoke futures and options, as well as complex hedging strategies.

Some of the US commercial banks who were the traditional industry leaders might find themselves somewhat disadvantaged, Booz Allen has concluded, because their global custody business was developed as a service distinct from that of domestic custody. "The merchant banks – such as Goldman Sachs and Morgan Stanley – may be the next industry leaders," says Mr Foster.

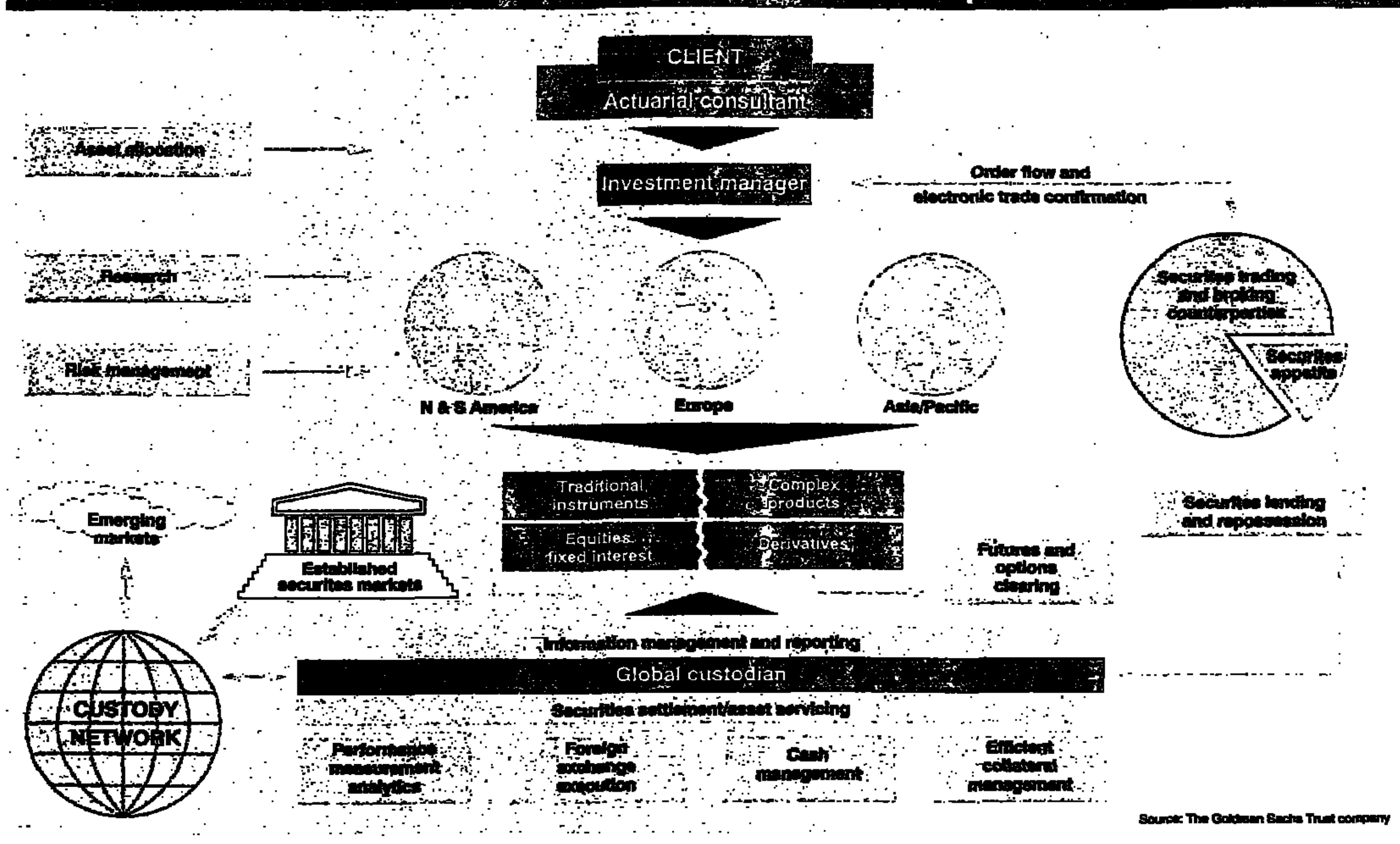
Investment banks have been best able to exploit the opportunities for international securities lending which are offered to global custodians.

This business alone can provide profits to justify entry to the business, Booz Allen has concluded.

Furthermore, many of these traditional operators have been saddled with enormous duplication of services within their business which drives costs up considerably.

It will be the ability to slim services down and eliminate many of the manual operations now required of custodians which will determine who will be profitable and who will fall by the wayside.

How a full-service global custodian operates



Source: The Goldman Sachs Trust company

Editorial production: Roy Terry

Pensions probe: Kevin and Ian Maxwell appeared before the House of Commons social security select committee after the death of their father

After Maxwell, UK controls are under scrutiny

Call for stricter rules

THE CUSTODY business is the one area of the financial services industry that is still unregulated. However, it is not likely to remain so.

The death at sea on November 5, 1991, of Robert Maxwell, chairman of Maxwell Communications Corporation, sparked an investigation which revealed more than £400m was missing from pension schemes he controlled. The way in which assets disappeared has called into question the role of custodians and the rules under which they operate.

Using a series of transactions nominally labelled stock lending – although, in fact, it bore little resemblance to such practice – ownership of shares passed from the pension fund managers and custodians to other Maxwell-owned companies. The ease with which this was achieved has dismayed MPs, who are demanding new rules to regulate pension schemes, fund managers and custodians.

The government has appointed an independent committee, headed by Professor Roy Goode, to study pensions law, especially as it applies to custodians, and to make recommendations. And in March, the cross-party Parliamentary select committee on social security, which has held extensive hearings into the Maxwell affair, also suggested fund managers be required to use a separate custodian for assets under their control.

The idea has alarmed the UK's largest fund managers, almost all of whom operate custodial companies and derive significant fees from them. The National Association of Pension Funds, which has also called for the regulation of custodians, has suggested a more modest measure. It believes that custodians should only be separate from the fund manager for those pension funds which are managed in-house. That suggestion, however, has upset the UK's largest banks which are both fund manager and custodian for their own pension schemes.

The sums are not inconsiderable. More than two-thirds of the assets of Lloyds Asset Management belong to its own pension scheme and Barclays de Zoete Wedd manages more than £6bn of Barclays Bank pension scheme assets.

Perhaps the most contentious issue for custodians has been the suggestion that securities be registered in designated names. Mr Robin Ellison, partner at pensions solicitors Ellison Westhorp, says the idea is unsound. "If you put £5 in the bank one week and then go back the following week to withdraw it, you simply ask for £5. You dont say 'I want my five pounds'."

Mr Michael Robarts of Fleming Investment Management, argues that designation not only offers little protection to clients, but will also slow down the settlement process, raising costs for everyone and increasing risks. "Chaos will ensue," he predicts.

Some firms, such as NM Rothschild and Mercury Asset Management, maintained securities in the names of individual clients in the days before London's Big Bang and the explosion in trading volume. However, this required con-

stant reconciliation of files, a cumbersome manual process that frequently led to errors in valuing client accounts when securities were filed incorrectly. When trading volumes rose sharply in 1987, the practice was abandoned. A return to it, would create more problems than it would solve.

In the aftermath of the Maxwell affair Mr John Quarrell, a partner at solicitors Nabarro Nathanson and a leading pensions lawyer, advocated requiring securities to be held in designated names, on the grounds that such a move would have alerted securities firms to the true owners of shares received as collateral for personal loans to Mr Maxwell. "Since then, I've moved my position. I've been persuaded by the well-run houses that it is the auditing and the financial controls internally which matter most."

The argument in favour of designation is best summed up, however, by one example. Robson Rhodes, administrators to the Maxwell fund management company Bishopsgate Investment Management (BIM), were able to recover £27m of shares in Teva Pharmaceutical, an Israeli company, from National Westminster Bank because of designation. Although the shares were pledged as collateral to Robert Maxwell's private interests, they were held in the name of BIM, a firm whose sole purpose was to manage pension fund assets. Thus, the liquidators were able to argue, NatWest should have been suspicious about the ownership of securities it was accepting as collateral. Not only were the shares returned but NatWest reimbursed the administrators £90,000 in costs.

But, says Mr Robarts, designation will do little to protect pension fund assets because designation is under the control of the custodian. Had BIM changed the designation to that of one of the Maxwell companies, the matter could have been easily covered up.

The answer, he claims, is to improve financial controls on custodians. For instance, audits of a fund manager do not include any review of the assets under custody. His own company has, for the first time, asked its auditors to include a statement about the custody business in the larger annual report.

Also, there should be tighter controls on which pension fund trustees have the authority to order custodians to move assets. While most custodians keep sample signatures on file, they may not necessarily know the powers of signatories.

Mr Robarts says custodians should be required to seek the permission of all trustees of pension funds before an individual is given the authority to move assets.

World financial markets, 1991 ($bn)

Financial assets	
Equities	7,000.0
Bonds	12,000.0
Mutual funds	
US	1,400.0
UK	100.0
Continental Europe	600.0
Japan	400.0
Total	2,500.0
Asset management industry	
US (1,013 managers)	4,000.0
100 largest non-US managers	4,700.0
Total	8,700.0
Pension fund industry	
US	2,700.0
Canada	200.0
UK	600.0
Continental Europe	700.0
Japan	700.0
Other	300.0
Total	5,200.0
Insurance industry	
US	2,000.0
Canada	200.0
UK	900.0
Continental Europe	1,200.0
Japan	900.0
Total	5,200.0

Source: State Street Boston Corp

Meanwhile, some members of the pensions industry have suggested the UK should adopt US-style Erisa legislation which requires custodians to refuse to carry out orders which they believe or suspect to be improper. That view has been discussed with the Securities and Investments Board, the City's chief watchdog, which is said to favour it. But

Perhaps the most contentious issue has been the suggestion securities be registered in designated names

Mr Robarts argues unless the largely clerical staff employed by custodians receive much better training, the rule will offer little protection.

Moreover, the rule will allow the US banks, which already dominate the global custody business, to claim a further edge on their UK competitors by advertising to potential clients that they have long been following the rule.

Norma Cohen

The G30 settlement targets were unrealistic, says Richard Waters

Timetable proved too tight

THREE years ago the Group of 30, a Washington-based think tank, laid down a blueprint for national settlement systems in securities markets around the world. Its nine proposals were intended to galvanise thinking in financial centres across the globe, providing an international standard, and a timetable, against which local developments could be measured. And most of it had to be completed by the end of 1992.

Three years on, the G30's targets look to have been hopelessly unrealistic. "It was always too optimistic," says Mr Dick Feehan, senior vice-president in London of Bankers Trust, one of the biggest global custodians. "They expected things to happen too fast. I just think it's lost momentum."

The G30 is due in the coming weeks to produce its latest review of how far settlement arrangements in the main financial centres have come to meeting its targets. It is expected to show further significant advances from last year. However, as Mr Feehan suggests, there is still a long way to go.

One of the biggest hurdles to be overcome is the move to settlement within three days of a trade taking place. In the US, there are profound doubts in many quarters about such a short settlement cycle, which is suited more to institutional than retail investors. And the UK does not even have a system of rolling settlement, let alone one that works on a three-day cycle.

Despite the amount of work that still needs to be done, the G30 has few doubts that it was right to set the tight timetable it did. "We recognised that the targets were ambitious," says Mr Julian Gibbs of Barclays, a member of the working party that drew up the recommendations. "But we realised that if we didn't put tight deadlines into our report, people would just delay their decision-making."

The soundness of the G30's proposals has not been dented by the fact its timetable has proved too ambitious, he adds. A recent endorsement by Iosco (the International Organisation of Securities Commissions) suggests the G30 was working along the right lines. Earlier this autumn, an Iosco report on settlement arrangements in emerging markets endorsed the G30 recommendations.

Good intentions do not necessarily mean the ideas will ever see the light of day, of course. The appalling state of settlement arrangements in some developing markets has been exempli-

A big hurdle to overcome is settlement within three days of a trade taking place

fied this year by the securities scandal that has shaken India: ancient and decrepit settlement arrangements provided the opportunity for abuse when soaring activity in financial markets outstripped the capacity of the systems to cope with it.

Scandals like that in India, and the need for emerging markets to compete for investment funds, are likely to prompt modernisation. But as international fund managers are only too well aware, good settlement is usually an afterthought in the opening up of domestic stockmarkets to international capital.

The UK, meanwhile, remains one of the developed countries which is most behind in meeting the G30 recommendations. Clearing and settlement remains largely a manual process, making it prone to errors, and settlement still only takes place up to four weeks after a trade has happened.

Despite this, there is a strong belief throughout the securities industry that London's settlement problems are about to be laid to rest. The Taurus project, which will see settlement first of all automated and then put on to a rolling basis, has entered its testing stages this autumn. A nagging fear that the whole project would eventually be shelved, after more than a decade of debate and planning, seems largely to have been laid to rest in recent weeks.

For Mr John Watson, the project manager who has led the London Stock Exchange's Taurus development, it is a vindication of several years of effort. He denies that the project is running years late and over budget. "We're now very much at the stage where I said we would be," he says. And he adds that it took four years and around £80m to build Relit, the French system – roughly the same time and budget that Taurus's construction will have taken, if it is completed next autumn.

Whether the UK is then ready to move quickly to three-day rolling settlement will depend on what happens in the next few months. Few big UK companies have yet asked their shareholders' permission to amend their articles of association, something that is necessary before they can move to a paperless system for recognising and transferring the ownership of shares. Most are due to hold their annual general meetings in the first part of next year, giving them the chance to make the switch. But if too few make the transition, it will be impossible for the Stock Exchange to move quickly to a shorter settlement period.

World equity markets – measures of foreign equity trading – 1990 ($m)

	Market cap	Turnover Total	Turnover Foreign investors	Estimated Cross-exchange trading	Market turnover rate[1]	Foreign investors as a percentage of total investors 1990	Foreign investors as a percentage of total investors 1990[2]
Canada	241.9	136.3	31.9	57.8	0.56	23.4%	46.2%
US	3,085.4	3,716.8	360.9	58.4	1.20	9.7	11.1
UK[3]	858.2	608.2	151.6	85.4	0.71	24.9	34.1
France	304.4	244.2	70.0	67.4	0.80	28.6	44.1
Netherlands[4]	148.6	87.4	62.4	91.0	0.59	71.3	86.0
Spain	111.4	86.0	15.8	21.4	0.77	18.3	34.6
Switzerland	163.4	546.3	40.0	35.0	3.34	7.3	12.9
Germany	355.3	1,085.0	158.6	143.6	3.05	14.6	24.6
Rest of Europe	394.1	198.8	78.0	84.7	0.50	39.6	57.7
Continent	1,477.2	2,247.7	425.5	443.2	1.52	18.9	32.3
Japan	2,821.7	3,310.7	268.6	163.9	1.17	8.1	12.4
Australia[4]	107.3	79.5	30.4	9.6	0.74	38.2	44.8
Rest of world	650.3	2,076.1	172.4	55.6	3.19	8.3	10.7
World	9,252.0	12,175.6	1,441.2	873.8	1.32	11.8	17.7

1 Ratio of turnover to market capitalisation; 2 including cross-exchange trading; 3 intramarket transactions account for 35 per cent of total turnover; 4 Significant off-regulation, off-market or over-the-counter trading occurs in these markets. For example, estimates suggest that the following percentages are traded away from the exchange: as much as 86 per cent of Singapore shares and some 30 per cent of Australian shares

Sources: FIBV and Salomon Brothers Inc

Andrew Jack focuses on the practice of stock lending in the UK

Code of practice demanded

STOCK LENDING has risen from the depths of obscurity to new heights of public awareness in the past few months – but for all the wrong reasons.

The legacy of the late Mr Robert Maxwell has done more to publicise and in some ways more to damage the reputation of the activity than millions spent on advertising could ever have achieved.

Poor controls on stock lending at Bishopsgate Investment Management, the trustee and manager of Maxwell pension funds, with widely-known consequences, have helped further stoke existing fears from lenders that stock lending is a high-risk business.

Yet Mr Simon Thomas of Davis International Banking Consultants believes the practice has suffered unfairly as a result. "Maxwell has dented people's confidence," he says. "But it has been totally misunderstood by commentators. The market has been rather weak at defending itself."

He argues that the episode highlights the lack of supervisory control over pension fund management, and the value of dealing with well-regulated counter-parties. "What is quite clear is that there are no standard legal agreements for stock lending," he adds. "It has to be improved."

Nevertheless, the role and growth of international stock lending is widely endorsed by market professionals. As Mr Ian Plenderleith, an associate director of the Bank of England and chairman of its stock borrowing and lending committee, said at a conference this summer, it has helped provide both timely settlement and liquidity.

Timely settlement, he said, resulted in improved market safety, cost savings and ultimately enhanced investor protection. Liquidity could only be assured in bear markets if securities could be borrowed.

Stock lending also helped channel savings into investment, he added, by bringing together lenders with borrowers where they can raise funds on finer terms.

He called on the industry to boost its public information efforts and to develop a code of

good practice to help counter what he called public "misunderstanding".

In spite of the reservations expressed in some quarters, there has certainly been a significant growth in demand for international stock lending over the past few years, driven directly by the expansion of cross-border investment and international securities trading.

There have been considerable technological advances,

The Maxwell episode highlights the lack of supervisory control over pension fund management

product innovation, and progress towards more efficient clearing and settlement on most of the world's stock exchanges, driven by the pressure since 1989 from the G30, the Group of 30 financial and economic experts.

There has also been a growth in competition, with an expansion in the range of lenders such as UK unit trusts, and of specialist intermediaries.

Future growth, according to Mr Plenderleith, will in part be constrained by tax reform. He highlights the achievement early last year for UK lenders of new accounting arrangements for pools of participants with the Inland Revenue.

Now efforts are being directed towards overseas lenders. He says that agreement on a relaxation of restrictions on the range of international securities borrowers and on the number of parties involved in lending transactions depends on arrangements on the tax treatment of manufactured dividends.

In many other countries, stock lending has been hindered by demanding tax requirements. For instance, the practice only began to develop in France in 1987, and in Switzerland in 1990 with the introduction of a more favourable regime.

Mr Thomas questions how far lending will continue to grow in the UK. "There is so much resistance," he says. "People have been nervous about stock lending. There are stories of it taking 20 years for a mandate to be signed." He argues that while UK major funds are over-funded and their performance is so good, companies do not see the need. "The pressure just hasn't been there."

Elsewhere, he points to developments in Italy and Germany. Now attention is beginning to focus on Spain. Growing competition puts pressure on margins, which he says can be 100-250 basis points for some international lending arrangements, compared with 30-50 points in the UK.

He sees substantial changes taking place in the future, fuelled in part by Taurus, the Stock Exchange's electronic settlement system, the relaxation of restrictions on international lending, and changing market structures.

In the US, Ms Cindy Gall of Citibank points to the growing role of international stock lending, particularly with European markets such as the UK and Germany. "With a 24-hour book, European centres are becoming very important," she says.

Mr Thomas says it is both a good time and a bad time to review developments in the sector. A series of regulatory changes are underway, many of which still wait to come to fruition.

Mr Plenderleith highlighted three types of safeguards which he said ensured that the inherent risks of stock lending were "identified, controlled and covered":

■ Bilateral legal agreements signed by the counterparties to ensure adequate collateral, proper authorisation by agents and clear understanding responsibilities.

■ Industry-wide rules, agreed practices and tax regulations which govern activity, conduct and appropriate treatment.

■ Supervision from different national regulatory authorities to maintain standards and require adequate capital to cover the risks undertaken.

Maxwell has had some positive effects. It is widely credited with pushing forward legislative change, moving the UK more towards the degree of regulation found in the US. Mr Thomas says it is increasingly focusing on the need for separate professional trustees, and the separation of asset management from custody.

At the moment, he says there is already considerable discretionary power in the UK, but it is not exercised. But he adds: "Some people say it may need another Maxwell scandal to force the whole thing through."

Andrew Jack finds out what fund managers look for in custodians

How to set about choosing the right partner

MR MARKUS RUETIMANN does not suffer sloppy work gladly. Last year he dismissed two of his firm's 25 local custodians after reservations over the quality of the work they provided.

Mr Ruetimann is director of client and market services at UBS Asset Management in London, and a strong defender of the importance of a series of local or regional custodians rather than a single global agent.

The firm uses its own nominees for UK equities, with agents in the UK for gilts and commercial paper. Overseas custody is delegated to some 25 active custodians and 29 inactive custodians.

"We are quite happy to pay a little more to be close to the right partner," he says. "But if the price or service ratio rises, they have to go."

His attitude appears to reflect part of a wider trend shared by other fund managers moving away from global custodians to a more localised and flexible network of regional and local providers.

Yet it stands in stark contrast to much of the perceived market movements in the past few months, substantially as the result of what the industry widely calls "the Max factor".

Global custodians are hard-selling their services partly linked to the fears arising from the stock lending abuses associated with the pension funds in the business empire of the late Mr Robert Maxwell.

That has stoked considerable interest, while boosting the role of value-added services and a shift away from price towards security.

A survey by Phillips and Drew Fund Management of 800 of the largest UK pension funds earlier this year showed a sharp increase in the proportion using or considering using a global custodian.

Its survey one year ago showed that 15.4 per cent were using a global custodian, and 4.6 per cent were actively considering their use. This year, 16.1 per cent said they used a global custodian, and 10.6 per cent were considering employing a global custodian.

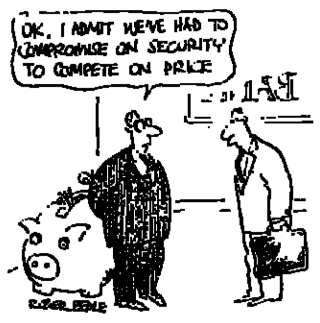
But Mr Ruetimann says that few are ultimately persuaded by the arguments. "The firm has not lost a single client." He considers Maxwell to be a red herring for clients. "If there is anything positive about the Maxwell affair, it was to increase the understanding of pension fund management," he says.

It has also had the unintended consequence of vastly increasing the number of meetings with company executives, auditors and others to discuss the issues. "Clients do understand the issues much more than before," he says. "Maxwell had nothing to do with fund management. It was a question of management control procedures."

What he does stress is the importance of using the same system for reconciliation, even though his firm has different managements for investment and asset administration. "The more people involved in reconciliation, the more possibility of fraud and mistakes," he says.

Mr Ruetimann says the benefits of using regional custodians include flexibility, less dependency and greater cost-effectiveness. It allows local negotiations in line with local practice over fees, rather than negotiating a single fee for all markets with a single global custodian.

The result, he believes, with increased competition and reducing margins, will be a reduction in the number of global custodians over the next decade. He argues that the true liabilities are not always put on their balance



sheets, so their position may be weaker than it appears.

There have also been considerable other changes affecting the relationship between fund managers and custodians in the last few months, which have made the services more commoditised.

Since June this year, fund managers have gained access to Swift, the electronic funds settlement system, which allows them to use the standardised messages facility. Electronic trade confirmation has also been introduced.

Phillips and Drew prefers to use banks rather than brokers as custodians overseas, because Mr Ruetimann says their creditworthiness tends to be greater, they have more capital, the technology is better and they are much more accommodating at accepting liability.

More generally, he cites "the 7 Cs" of how the firm chooses the right partner:

■ Cash management: with stocks invested in interest-bearing accounts with the interest passed on to the client.

■ Curtailment of risks: ensuring that potential custodians have appropriate systems, controls and insurance.

■ Competitiveness of fees: to be offset against quality of service provide.

■ Credit-rating: examining the net assets and ensuring the balance sheet of the agent is healthy.

■ Communication and technology: how easy it is to communicate with agents and maintain links with them.

■ Customisation capabilities: now that custody is becoming more commoditised.

■ Commitment and comfort: with regular checking of compliance backed up by personal visits.

The jury may still be out on the future balance between global and regional custodians, but the next few years will certainly see plenty of dynamism from more aggressive fund managers to respond to changing demands.

GLOBAL CUSTODY 4

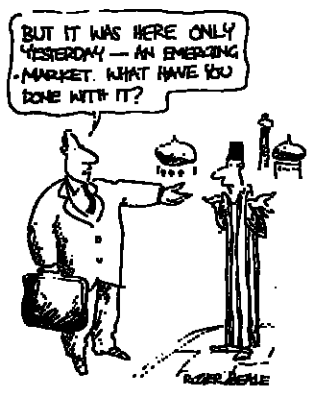
Emerging markets are attracting more attention, says **Norma Cohen**

Foreign opportunities beckon

IT IS said that in Turkey, the secondary market for stocks and shares consists of men outside the exchange building selling suitcases full of certificates for cash.

While that may be an exaggeration for Turkey – or indeed for many of what are now known as emerging markets – it offers a glimpse into one of the most problematical, but potentially most interesting and lucrative, aspects of the global custody business.

Deciding on exactly which markets are still emerging is a subject of some debate, but broadly speaking, most Latin American markets, many Pacific Basin markets and almost anything in Africa, eastern Europe or the Middle East fall into that category. And, because of the handsome returns investors have earned from those markets, global custodians have been forced to sit up and take notice.



Dr Mark Mobius, chief investment director at Templeton Emerging Markets, one of the world's largest investors in that sector, has long complained that the reluctance of custodians to service these markets has been the greatest barrier to investment. "If we have to wait around for the banks to be more aggressive, it's a great disadvantage," he said. "But custodians are changing their attitudes."

Over the past year or so, he said, custodians have been more willing to invest capital in nascent markets from Pakistan to the Philippines, although not nearly enough to suit the needs of professional investors. In part, this willingness to take on greater risk has been prompted by the intense competition for new business.

"One area which has caused fund managers a great deal of difficulty was the reluctance of custodian banks to offer their services until long after the market was open to foreign investors," said Mr Jeremy Paulson-Ellis, chairman of Genesis Investment Management, a company which invests exclusively in emerging markets. "With banks losing large amounts of money elsewhere, the custodians are not willing to put in the necessary development capital to emerging markets," he said.

Entry to an emerging market requires not only investment in technology, but also expert knowledge of securities and banking regulation, market practice and tax law.

Mr Ranjit Chatterji, head of Latin American securities at Citibank's global custody operations, said that part of the complaints from fund managers stems from the inability of banks to overcome the very real operational difficulties of trading in these markets. Deregulation in emerging markets has raised investors' expectations beyond the capacity of markets to receive their cash.

"Regulation isn't always well designed in attracting investment flows because there is too little investment in settlement and post-settlement systems," he said. "This leads to a mismatch between investors' expectations and what can be done." Also, many of the countries deregulating their securities markets have also been simultaneously deregulating their foreign exchange markets, although not necessarily in tandem. The inability to obtain local currency for investment or to earn a return on it while it lies idle, has frustrated institutional investors.

Emerging markets fund managers note that just as the quality of service from custodians varies, so, too, there is a wide range of fees. In a recent analysis of fees, one fund manager said he found a 42 per cent variation between the highest and lowest fees charged by any of his custodians on an average $100m portfolio and a 26 per cent variation in fees on a $50m portfolio. "There was no correlation between fees and service," the fund manager said.

It is not that fund managers do not appreciate the risks of being a custodian in some of these global markets. "There are markets where you shouldn't invest at all," said Mr Richard Watts, head of Latin American investments at Gartmore Fund Management. "The custodial operations are poor, the stock market practices are poor, the market isn't transparent and the locals don't play by the rules."

Mr Watts said that in Venezuela, for instance, where settlement is officially three to five days after trade date, he has found settlement may not actually take place for 125 days after trade date.

Citicorp has found that while failed trades occur in roughly 10 per cent of all bargains in Latin America as a whole, in Venezuela the figure for failed trades is 70 to 80 per cent of all bargains.

In India, there are 19 separate exchanges, the largest of which is in Bombay. In Indian market practice, there is no delivery against payment. Also, due to settlement delays brokers can find themselves holding cash and securities for considerable periods. Buyers and sellers are exposed to the broker for the entire settlement period. Such inefficiencies leave custodians open to risks which they are unwilling or unable to accept.

Also, the information base on which custodians must act is poor in many emerging markets. For instance, in some countries, there is no up-to-date central register of stock ownership. As a result, clients may be unaware of corporate actions such as stock splits or dividend increases.

Local regulations also hamper development of efficient custodial systems. For instance, in Pakistan a rule requiring foreign investors to re-register every time stock changes hands means a foreigner buying a share is effectively forced to hold it for up to 75 days until registration is completed.

Institutional investors say the best custodians are those who learn the nuts and bolts of markets and work with local authorities without considering the operational difficulties.

Meanwhile, Templeton's Dr Mobius said one means of dealing with troublesome local markets may be Citicorp's idea of designating a single local sub-custodian in each market. The single sub-custodian might then be encouraged to make a substantial capital investment in improving the service it offers in that market because it would have a captive clientele. Citicorp says that in markets where it is a sub-custodian, it would designate itself.

But other fund managers are sceptical. "I would never leave myself in a monopoly supplier situation," said Mr Paulson-Ellis.

Placing too great a reliance on a single sub-custodian, could hinder the ability to negotiate the best price for the service or to select a competitor if the service deteriorates.

COUNTRY FOCUS LIST

Primary

Companies operating in the following countries are currently considered for investment

Asia and Pacific	**Europe**
India	Greece
Indonesia	Hungary
Korea	Poland
Malaysia	Portugal
Pakistan	Turkey
Papua New Guinea	**Middle East and Africa**
People's Republic of China	Botswana
Philippines	Zambia
Sri Lanka	**Caribbean and Latin America**
Thailand	Argentina
	Brazil
	Chile
	Mexico
	Venezuela

Secondary

Countries to be monitored with a view to future investment

Asia and Pacific	**Middle East and Africa**
Bangladesh	Nigeria
Fiji	Swaziland
Europe	Tunisia
Czechoslovakia	Zimbabwe
Middle East and Africa	**Caribbean and Latin America**
Egypt	Costa Rica
Ivory Coast	Jamaica
Jordan	Trinidad and Tobago
Kenya	Bolivia
Malawi	Colombia
Mauritius	Ecuador
Morocco	Peru
	Uruguay

Source: Genesis Investment Management Limited

Tracy Corrigan discusses derivatives

New challenge looms

THE increasing use of derivative products by investment managers has created new competitive challenges for global custodians. The complexity of the instruments involved, and their relationship with the rest of an investment portfolio, requires more sophisticated reporting than straightforward equity or bond trades, as well as strong operational support.

Although futures markets have existed for several decades, it is only recently that derivatives have started to be viewed as investment as well as trading instruments.

But, while the development of structuring and trading of derivatives has been at the top of banks' agendas for a couple of years, banks have been slower to react by gearing up their global custody business to meet these new demands.

"Typically, old custodial systems were designed to track the positions of physical securities," said Mr Aidan Dennis, product development manager, global securities services, at Chase Manhattan. "Now we're heading into a paperless environment and there are new techniques such as short-selling. Derivatives are just one part of an enhanced investment strategy."

Systems now have to be able to perform an increasingly wide range of functions. Fund managers require a system which can record any open positions, consolidate positions across accounts, value positions, calculate full economic exposure, measure performance and track collateral.

With constraints on capital, some banks have been slow to make the necessary investments in terms of systems and personnel needed to offer a full service for derivatives.

"I think one-stop shopping for derivatives will happen, but it requires substantial investment in much more dynamic systems," said one custody specialist at a large bank. "It will take a few years before it is widely available."

The reporting of positions forms a crucial part of the global custodian's function in the area of potentially risky derivatives. For institutions to gain the maximum benefit from reporting, it is not enough for custodians to detail every individual position. For example, if an investor has a long position in Company A equity warrants, and is short Company A shares, the overall neutral position should be shown, rather than two separate positions. "There is a need to account for the use of derivatives in a manner which most accurately reflects the investors' use of strategy," said Mr Alex Ehrlich, executive director at Goldman Sachs.

Investors who have studied the issue agree. "[The reporting of derivatives] will have to become part of the standard service," said Mr Glyn Peat of Lazard Investors, who chaired the Pensions Research Accountants Group's futures and options working party.

Derivatives have only recently been viewed as investment as well as trading instruments

Different types of derivative products demand different approaches. For example, for institutions which are active in exchange-traded futures, one function of the global custodian is to handle the payment of margin requirements. Because of their size, custodians can take advantage of economies of scale, as well as swapping an investor's assets for comparable assets which can be used as collateral for margin calls.

However, they are effectively competing against brokers, who perform functions such as margining and exposure management. To win business away, they will have to offer a more comprehensive service, which many custodians have not yet developed.

The issues surrounding over-the-counter options are more complex. First, valuation of such options is difficult, since there may be no active market and options values shift constantly. Further, price movements are not in proportion to cash market movements.

The issue of reporting and performance measurement has come under focus this year, as more fund managers start using derivatives, and trustees struggle to get to grips with the concepts involved. Early this year, the London International Financial Futures Exchange (Liffe) and Mercer Fraser published recommendations for the reporting of financial futures and options in investment portfolios, designed to provide UK pension fund managers with professionally-agreed standards of performance measurement of derivatives for the first time.

The new guidelines allow trustees to assess more easily whether fund managers are using futures and options for investment or hedging purposes, or whether they are taking more speculative positions.

Building on the Liffe recommendations, the Pensions Research Accountants Group (Prag), an association of 200 UK pension fund practitioners, last month published a document on the use of futures and options by pension funds which provides broader guidance for trustees, investment and pension fund managers on how best to meet reporting, control and performance measurement demands.

The report focuses on strategies and risks to be considered by trustees and ways of constraining investment managers. Prag supports Liffe's view on reporting futures on an "associated economic exposure" basis – looking at the total exposure of a particular position, rather than just taking account of the initial margin payment. In the more complex area of options, the compromise solution is to account for premiums paid and received, and mark option prices to market. In fact, this does not fully reflect exposure, since accurate reporting requires technical calculations of the relationship between cash prices and option prices.

As the participation of investment managers in derivatives business grows, the attention given to back-office problems will also be encouraged. At present, unfamiliarity with the complex products involved has made derivatives something of a bugbear with the back-office staff.

Profile: STATE STREET BOSTON

National powerhouse

THE 200-year-old State Street Boston, has undergone one of the biggest changes since the 1980s, with a new chief executive, Marshall Carter, replacing William Edgerly, State Street's long-standing leader.

Mr Edgerly is credited with transforming the institution from a struggling New England bank into a national powerhouse. Mr Edgerly was quick to realise the importance of new technology to State Street's future growth. Shortly after he took over in 1975, he implemented a programme to modernise State Street's data services and turned the bank's focus towards global custody and securitisation, through mutual funds and money market funds.

Today, it is something of a misnomer to call State Street a bank. Strictly speaking, State Street is a bank holding company and does handle some lending and a small number of traditional bank accounts, but the bulk of its business comes from servicing financial assets. State Street now has $1,247bn in assets under custody, with cross-border assets under custody standing at around $123bn, up 25 per cent from a year ago.

State Street maintains that it attracts its big customers because of its state-of-the-art technology and its full service capabilities

Mr Carter's appointment came as a surprise and followed the unexpected resignation of Mr Edgerly's heir apparent, Mr Peter Madden, last year. Although most observers had expected Mr Edgerly to choose another successor from within the ranks of State Street, the choice of Mr Carter met with widespread approval. Mr Carter, who was at Chase Manhattan for 15 years before joining State Street, is credited with building Chase into one of the biggest global custody businesses in the US.

Investors in State Street Boston have little to complain about. Net income for the third quarter has risen more than 50 per cent to $41.9m, and the institution's stock is trading at the top of its 52-week range. Most analysts expect State Street to continue to generate significant new account volume. Earlier this year it won the important $65bn California Public Employees Retirement System (Calpers) account.

It won the Calpers business by offering to charge about half as much as its closest competitor in fees. The sharp undercutting has led to accusations that State Street bought the business to get market share, and some critics charge that State Street has started a price war which will hurt the bank as well as its competitors.

State Street maintains that it attracts its big customers because of its state-of-the-art technology and its full service capabilities, while its economies of scale allow it to offer reduced fees in a maturing market and still make a profit.

While some see the aggressive bid for Calpers as a sign of a change in the industry, others see the hand of Mr Carter at work, and suggest it as an indication that State Street will become even tougher.

The global custody industry is becoming fiercely competitive after a decade of extremely rapid growth.

The industry's staggering growth in the 1980s was fuelled by public and corporate pension funds moving into foreign investments. But as the industry has matured, the pace of growth has started to slow. In addition, several newcomers have entered the arena, including Morgan Stanley, while the merger of Chemical Bank with Manufacturer's Hanover will create competitive global custody operations.

One way that State Street is responding to the heightened competition is by turning its attention to emerging markets. "Emerging markets have always been part of our global custody business," says Mr Gundy, "but the range and pace has grown dramatically. We now have a presence in about 46 countries, compared with about 34 countries a few years ago."

Although the rate of growth in emerging markets will probably slow in coming years, Mr Gundy expects absolute growth to continue. "Institutional investors are looking for exciting opportunities for getting into markets at the earliest possible points so they have a shot at the biggest possible gains."

Mr Gundy believes State Street will also benefit from the Robert Maxwell affair, which has led to a heightened sensitivity to the issue of separating fiduciary responsibility from money management. "It has changed the inclination of institutional investors, who now want a clear definition of responsibility, separating holding assets from managing assets. I think this will translate into more business for us."

Investing in new technology remains imperative in the global custody industry. In 1991, State Street installed an accounting system to track global securities portfolios in multiple currencies.

But State Street's rivals are also spending heavily on new hardware and software. Citicorp, for example, is pumping $80m into its securities processing systems for a complete overhaul by 1994.

Mr Gundy expects to see further fine-tuning of State Street's systems to present more information more clearly and more quickly.

So far, the changes within State Street since Mr Carter took charge have been subtle, according to Mr Gundy. "There has been a re-affirmation of our strategy and an increased focus on the business of servicing financial assets. One piece of tangible evidence is the addition of an executive vice-president responsible for all securities operations. That position didn't exist before Mr Carter came."

Karen Zagor

State Street Boston – assets under custody and management ($bn)

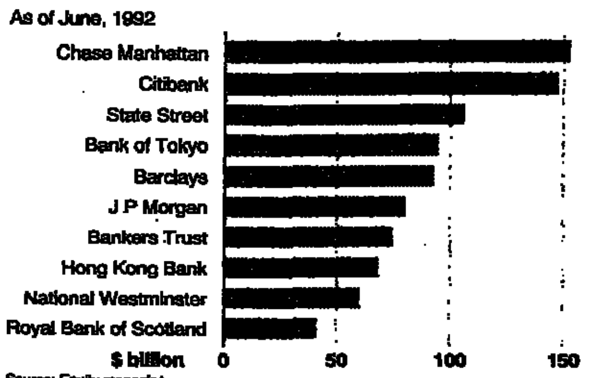
	1986	1987	1988	1989	1990	1991	Five-year cpd[1] growth
Assets under custody							
Mutual funds	286.3	315.2	346.0	404.0	429.3	498.4	12%
Customer location							
MT/MC/GC[1]	108.0	134.9	161.8	242.0	250.3	335.2	25
Corporate trust	NA[1]	21.3	34.8	35.3	47.0	66.9	33[2]
Bank services	17.0	17.1	29.7	44.5	44.3	42.2	20
Insurance	5.0	16.1	19.1	21.3	23.1	37.9	50
Other	13.5	10.5	15.7	16.6	21.7	29.1	17
Europe	8.5	9.0	9.4	11.2	9.5	13.2	9
Asia/Pacific	2.5	4.9	8.6	12.1	16.1	31.9	66
Total assets under custody	440.8	529.0	625.1	787.0	841.3	1,054.8	19
Assets under management							
Institutional	23.5	27.0	35.4	53.3	62.2	84.1	29
Personal	2.6	2.8	3.0	3.5	3.4	4.8	13
Total assets under managgement	26.1	29.8	38.4	56.8	65.6	88.9	28

1 Cpd = compound, MT = master trust, MC = master custody, GC = global custody, NA = not available; 2 Four-year compound growth

Source: State Street Boston

Top 10 cross-border custodians

As of June, 1992



Source: Equity magazine

Swiss banks believe the industry is over-competitive, says **Ian Rodger**

Eyes on foreign customers

SWISS bankers have still not quite got over the audacity of the big US banks in making a business out of the provision of custodian services.

From the Swiss point of view, custodian service has always been one of many functions carried out by bankers in looking after their customers' portfolios.

And they, as bankers to the world's rich, had been doing it for decades before the Americans put a name on it and in the 1970s turned it into a profit centre.

In fact, Swiss bankers acknowledge US banks were also responding to a new trend in investment – the desire of large investment institutions to hedge their risks by investing a portion of their assets in foreign securities.

Perhaps their pique is related to the fact that they did not see the opportunity first. "We were awakened only after the US banks did it," Mr Ernst Balsiger, executive vice-president of Swiss Bank Corporation (SBC), admits.

Now their view is that the business, which for a while was highly profitable for a few banks, has become over-competitive. "It is simply ridiculous," says Mr Burkhard Gutzeit, head of securities operations and global custody at Crédit Suisse in Zurich. "This business is not profitable unless you are dealing in the billions of dollars, and the institutions are pressuring us to cut prices further."

The Swiss say that margins are becoming too thin to justify the investment required in the necessary electronic control and information systems. "You have to invest $100m plus if you start from scratch," Mr Gutzeit says. "Then you can enhance the system up to a point, but it is like with cars, there comes a point when you have to buy a new one."

He and other Swiss bankers predict that these pressures will lead to the big European clearing organisations, Euroclear and Cedel, gradually taking over the global custody business from individual banks, as only these organisations will have the volume needed to support the immense cost of electronic system development.

Moreover, he predicts, the European banking community will lose its legal struggle to prevent the big investing institutions from having direct access to the clearing organisations. That means many institutions will gradually abandon their banker custodians and deal directly with the clearing organisations for settlement and custody services.

The response of the Swiss banks to this outlook has been typically thorough and cautious, with a view to providing service where it makes sense to do so and keeping all options open. Fortunately for them, they all have very large private banking businesses in which custody services remain part of the total package of fund management offered to high net worth individuals.

The Swiss say margins are too thin to justify investment in electronic control and information systems

Thus, they have to build up their custody capability anyway, and this capability can then be turned into a commercial product offered to institutions and to foreign custodians seeking sub-custodians in Switzerland.

All the big three banks say they are committed to the local institutional market, and, to differing degrees, are going after institutions in other countries as well.

In part, their interest in seeking foreign customers appears to be a response to the competitive threat from the big US custody specialists in the Swiss market. By all accounts, these incursions are modest so far, and the Swiss are confident that they can hold their own.

But UBS, among others, wants to retaliate. "US custodians are actively penetrating the Swiss market, so we have to use the same weapons. Our marketing plan is to penetrate interesting markets in the US. Their pension funds are investing more and more overseas," says Mr Josef Landolt, senior vice-president for securities administration.

But with the exception of SBC's large operation in London, the big three have tended to scale down their custodial operations outside Switzerland in recent years, preferring to contract out to sub-custodians and clearing houses in important foreign dealing centres.

Mr Landolt makes clear that UBS's priority is to serve domestic institutions, including smaller banks.

The big three are also members of the European clearing systems, Crédit Suisse and SBC in Euroclear and UBS in Cedel. They are also the dominant shareholders in Intersettle, a system intended to serve all Swiss banks, taking over the settlement of their international securities transactions. The Intersettle system, developed at a cost of more than SFr60m, is now being tested, and is due to go into full operation in the first quarter of 1994.

Mr Gutzeit believes Intersettle will gradually take away much of the banks' Swiss-based global custodial business, but, since it is at least owned by the Swiss banks, that is better than losing custom to the European clearing systems, in his view.

Mr Landolt agrees that Intersettle could take away custody business, not only from banks, but also from Euroclear and Cedel, provided it offers a competitive service. "Personally, I feel we will not channel our total business through Intersettle. I have the strong feeling that we can continue to attract business from the institutions."

Mr Gutzeit agrees. "It is difficult to draw the line between institutions that need back office support and those that do not. We are strategically well placed because private clients demand a system that is close to what small institutions want."

Mr Landolt suspects that the trend among large investment institutions to split their asset management related contracts among many banks may soon fade. "We think costs are higher if these services are unbundled," he says. For example, if one bank is only a fund manager and another handles settlement and custody, both have to keep accounts and the fund manager has to check that the custodian has done what he was told to do.

Mr Landolt accepts, however, that institutional customers will continue to demand to know the cost of each element of the service they are buying.

However the business evolves, the Swiss are expecting it to be difficult for the next few years.

Profile: SWISS BANK CORPORATION

Stronger commitment

TWO years ago, the FT published a debate between two senior executives of Swiss Bank Corporation (SBC) on whether the bank was wise to continue to develop its global custody business.

Today, the argument rages on, both within SBC and throughout the banking community, but SBC's commitment to global custody seems, if anything, stronger than it was two years ago.

"We are fully committed," says Mr Ernst Balsiger, executive vice-president of SBC in Zurich, but he also predicts a big shake-out in the sector in the next few years as excessive competition leads to a margin squeeze.

SBC's involvement in global custody is interesting in at least two respects. In the first place, the bank is still trying to carve out a strong independent role for itself in this increasingly competitive business, while the two other big Swiss banks, Union Bank of Switzerland and Crédit Suisse, appear to be more cautious. Second, it is running the business in London, not in Switzerland.

But, first, some qualifications and clarifications. All the Swiss banks have been carrying out global custody, in the strict sense of the term, for decades. Indeed, it would probably be fair to say they were pioneers in global custody, for it was their wealthy private clients from around the world who were among the first to accept the idea of a mix of securities from various countries in their portfolios.

Similarly, the big Swiss banks all carry out global custody for their Swiss and, to varying degrees, foreign institutional customers in Switzerland, and they act as sub-custodians in Switzerland for global custodians based in other countries.

Where SBC differs is in aggressively marketing a global custody service based in London to investment institutions and banks around the world. "All our institutional clients, even Swiss ones, are directed there," Mr Balsiger says.

An electronic system enables clients to access information at SBC offices throughout the world

The strategic decision to proceed this way was taken three years ago, with the idea being to build on the unusually strong sub-custodian business SBC had built in London over several years. According to Mr Alan Taylor, director of global custody in London, the bank provides this service for nearly 150 non-British banks.

The bank is typically discreet about the size of its London business – "not quite as substantial as that of the UK clearing banks," says Mr Taylor. "We rank as one of the best, but it is not our goal to be the biggest," adds Mr Balsiger. And the business has "broken even", he adds.

The group has developed an electronic system to support its custody operation so that clients can request information at SBC offices throughout the world.

Mr Taylor dismisses the widespread view that global custody will become a commodity business, thus squeezing out all but the largest players. "When we are asked to compete for an account these days, we often get a 20-page questionnaire to fill out. That is not a characteristic of commodity businesses."

He says there remain many differences in the service features provided by global custodians. SBC, with a staff of 50 in its London operation, emphasises staff training so that client requests can be dealt with intelligently.

The bank assigns a single officer to each client, who visits the client regularly, talks his language and tries to respond to his needs.

Meanwhile, in Switzerland, SBC is pursuing a dual strategy on custodial services. It is a member of Intersettle, the organisation being set up by many Swiss banks to provide settlement and custody services on foreign transactions. Intersettle is expected to take over much, if not all, of their Swiss-based global custody business for institutions.

But it is also maintaining a strong custodial capability as part of its total service package for private clients. "There we have an advantage because our private clients will never try to become members of international clearing organisations," says Mr Balsiger.

Ian Rodger

Richard Waters explores the dream of a global electronic link

Jigsaw of different systems

THE DREAM: global electronic links between institutional investors, brokers and custodians which will reduce the costs of securities dealing and shorten settlement times.

The reality: a complicated jigsaw of different systems in which not all of the pieces fit together, contributing to higher costs and risks for the securities industry.

That, at least, is the present position. But to judge by two initiatives launched in the past year, the dream may be getting much nearer.

The ETC (Electronic Trade Confirmation) project in Europe and ISITC (Industry Standardisation for Institutional Trade Communications) in the US are both co-operative ventures to promote common standards in the way trades are confirmed and settled. Finding a way for these two separate ventures to co-operate will be the next challenge in developing a single international network.

"A lot of banks and institutions have spent a lot of money on systems – and good systems at that," says Mr Alistair Reid of Morgan Grenfell. "The weak point is when they try to transfer information outside their own organisations. The next level of efficiency is to get systems that speak to each other."

ISITC was formed by a group of investors and custodian banks in the US to promote common standards for communications between the two groups. For the custodians, this marks a considerable shift in strategy.

Most have invested heavily in proprietary systems in recent years, enabling investors to communicate with them directly. These links have helped to tie investors to particular custodians, protecting the custodians' income.

Common standards could undermine these proprietary systems, forcing banks to write off their investments while at the same time making it easier for investors to shop around to reduce the fees they are paying.

Custodians admit that there has been a lot of soul-searching over this development. However, they seem to have decided to make the best of it – perhaps out of a desire not to repeat the rearguard action fought to keep fund managers out of Swift, the international financial messaging sytem, until recently.

Also, the development of common standards may have only a limited impact on custodians' business, at least in its early years.

Investors with links to a small number of custodians are likely to maintain those connections, since there is no advantage to them changing, says Mr Sean Quinn, client technical services manager of Chase Manhattan in London.

He adds that investors which use a larger number of custodians are generally communicating by facsimile or telex, so common standards for electronic systems could help both sides by making communication more efficient.

Also, existing bank systems can be adapted to fit the new standards being developed by the ISITC working group and will not have to be scrapped.

Europe's own industry-wide electronic trade confirmation project has also raised questions about the future relationship between different groups of intermediaries in the securities markets. ETC is designed to link investors and brokers, making it possible for them to confirm trades automatically. Potentially, though, it could provide the basis for an order-matching system on which institutions could trade directly with each other.

While the ISITC project is aimed only at developing common standards, ETC has led to the selection of three commercial vendors to provide systems which meet standards selected by a representative group of users: the London Stock Exchange, the International Securities Market Association and Thomson Financial Networks. The intention: for links to be built between the three, making it possible for an institution which uses one of the systems to confirm a trade with a broker who uses another.

For now, the backers of ETC say they have more important things on their plate than extending their project to take in trade confirmation. "Order-matching is not a current intention," says Mr Reid of Morgan Grenfell. "It's still a back office project."

The development of this common infrastructure to support back office operations has not always run smoothly. The Stock Exchange, for instance, has recently appeared to cool to the idea of linking its Sequal trade confirmation system to Isma's Trax and Thomson's Oasys. Pressure from users appears now to have changed its mind.

There is also the danger that the ETC and ISITC developments will tread on each others' toes. Backers of the US project have begun talks for a similar venture in Europe. The supporters of ETC are not enamoured: Mr Chris Smith of Fidelity, one of the instigators of ETC, believes the two projects should be developed by the same group of users.

"I really am concerned it [the separate ISITC development] will get in the way," he says. He would rather it was developed by the same industry user group which has promoted ETC.

Supporters of ISITC agree there is a danger of duplication. "Too many people are setting up to be standards bodies," says Mr Quinn of Chase. He adds, though, that the ETC group already has its hands full at the moment.

The initial rivalry is likely to give way to closer co-operation in future. Formal talks between institutions involved on each project are already planned, with a view to promoting electronic links between investors and their custodians in Europe.

Unscrambling the jumble of systems in this way should help to bring settlement times down towards the three days envisaged by the G30. As yet, though, it is still more of a dream than a reality.

Barry Riley examines the electronic bank payments system

Move to join Swift is slow

ARE THE leading investment management houses reluctant, like Groucho Marx, to join the type of club that would be willing to have them as members?

Technology, in a tantalising way, is beckoning the investment management industry. A few high-powered personal computers or work stations with the right software and the right interfaces may be all that is needed to wrest control of important aspects of the trading and settlement process from the exchanges, the brokers and the custodian banks. The jurisdictional boundaries may need to be redrawn, but exactly where should they be inserted?

Such battles are being fought in various centres, but in the UK a key area of dispute has been over access by fund managers to the banks' international communications network Swift, which stands for Society for Worldwide Interbank Financial Telecommunications.

For several years fund managers fought to gain access to Swift but were rebuffed. In June 1991 just 68 per cent of the system's members voted to allow non-bank investment institutions into the system, a small margin short of the 75 per cent majority required for this constitutional change.

Some institutions had hoped to use the Swift messaging network to confirm international securities transactions. "Frustration was felt by many fund managers.

The Swift system already existed and it would have been much easier to use that system," says Mr Jonathan Rashleigh, finance director of Legal & General Investment Management.

The rejection triggered proposals by fund managers to find alternatives. An industry user group of institutions and brokers was set up late in 1991 to specify electronic trade confirmation (ETC) products which are now almost ready for the market place. The participants were mostly British but the bigDutch investment group Robeco was involved, and a number of Continental brokers and banks are likely to install the new systems.

In the meantime, however, Swift has changed its mind. In June this year the banks voted 95 per cent in favour of letting the outsiders in, arguing that the upgrading of systems had made expansion more practical. Privately, however, some of the banks admit that their earlier opposition may have been rather short-sighted. Perhaps some of the fears that big fund managers might side-step the custodian banks have faded, or perhaps the debate has anyway moved on.

This has been a complicated area because some of the big investment management operations have in any case been part of large bank-owned groups, and through in-house custodians have had indirect access to Swift. But no more than about 3 per cent of Swift transactions are thought to have been related to securities deals, and new formats might have had to be developed to suit the requirements of investment institutions.

The position now is that some of the big non-bank investment institutions are considering Swift and are likely to join, but there is no lengthy queue at the admissions office.

"We will evaluate Swift fully," says Mr Chris Smith, who is in charge of the middle office at Fidelity in London. "You need to go into it with your eyes open. It's not a panacea."

Mr Jonathan Rashleigh at L & G is also considering Swift. "We are certainly quite attracted to the prospect," he says. "My bet is that a number of the larger players will join, but it is not going to be a landslide."

The question is whether many institutions will think it is worth stumping up the substantial cost of joining Swift when cheaper trade confirmation alternatives are becoming available. They will need to see a substantial scope for using Swift to communicate with their custodian banks rather than with their brokers.

Meanwhile the ETC systems are all but ready, and will be good enough for the requirements of many of the smaller and medium-sized investment managers.

Some argue that if fund management houses had been given access to Swift earlier and could have used it for confirming international securities transactions other systems might not have been required.

Essentially the problem has been in coping with inefficiencies in overseas securities transactions. These are more difficult to handle than domestic trades, information on which is sent out by the London Stock Exchange by computer every night, so that any mismatches can be spotted next morning.

However, when it comes to cross-border transactions a significant percentage go wrong, and up to 10 per cent may not settle on the normal day. This can in itself be expensive. In addition the whole process is being given momentum by the pressure from the Group of 30 which is trying to push stock exchanges around the world to adopt a three-day settlement standard.

In the case of trade confirmation fund managers still have to cope with archaic methods such as telexes, faxes or letters, which introduce delays of 24 hours or more. Along with delays go increased risks of losses from failed transactions because misunderstandings and errors are not picked up quickly.

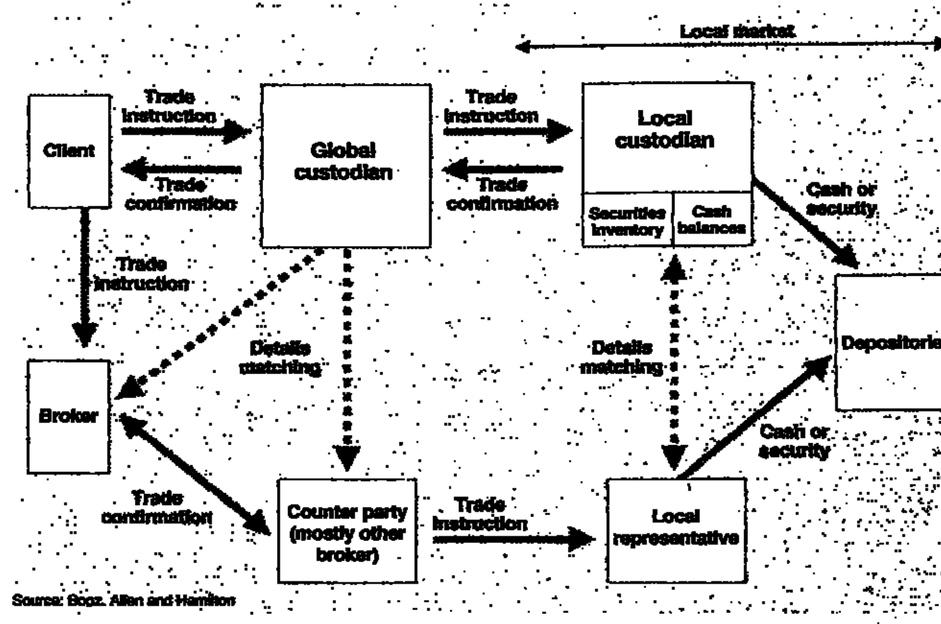
Therefore strong pressures have developed for the introduction of compatible systems which can achieve instant electronic information transfer using standard formats. In practice the new ETC networks should be capable of providing trade confirmation within minutes of the order being placed.

Mr Sean Quinn of Chase in London argues that the new electronic communications will substantially improve efficiency. "At present there can be quite a lot of toing and froing before we get our instructions," he says. "We have to wait until investors and banks have agreed their transactions."

At S.G. Warburg Mr Gordon Lindsay, managing director of custody, takes a similar view. "These developments will help to automate the process and eventually allow us to reduce staff levels slightly," he says.

As for Swift, meanwhile, the bankers in their club may be able to relax in the knowledge that many of the fund managers will not be filling in their membership forms after all.

Trade settlement - flow of information



Source: Booz. Allen and Hamilton

THE complex flow of information that has to take place before a securities trade can be completed is becoming increasingly automated. Many of the messages, such as those to local custodians or to representatives in local markets, are carried on Swift, the interbank messaging system.

However, telex and fax machines continue to play a part in communications between investors on the one hand and their brokers and custodians on the other — though messages between investors and custodians are sometimes carried on the custodians' own proprietary systems.

ETC (Electronic Trade Confirmation) and ISITC (Industry Standardisation for Institutional Communications) are intended to fill these gaps. ETC will automate trade confirmation between investors and their brokers. ISITC will perform the same function between investors and custodians. Once completed, the process will be handled electronically.

Norma Cohen investigates how custodians generate revenue

Figuring out hidden fees

CUSTODIANS do not enjoy talking about how they generate revenues and are circumspect when asked to give details of fees charged. But it is clear that to survive, global custodians must find ways of earning fees in addition to those paid directly by clients.

Indeed, a recent study of the global custody business by management consultants Booz Allen, concluded that 50 to 60 per cent of custodians' revenues come from the fees they charge clients. An additional 20 to 30 per cent come from net interest income on client balances and 10 to 20 per cent from foreign exchange trading and other transactions.

How custodial banks are able to do this is worth examining, particularly by UK and European clients who tend to rely on relationship banking and do not shop around for the best deal like their US counterparts.

First, foreign exchange transactions offer many excellent opportunities for banks to earn extra revenue. For example, a US pension fund as a customer wishing to purchase securities on the Frankfurt Stock Exchange has to transmit cash through its global custodian to a sub-custodian who then purchases D-Marks. Some custodians, such as Barclays, execute all foreign exchange orders through their own dealing systems, although Barclays says it always seeks the best dealing rate. Still, the bank will earn a turn on the dealing spread between the bid and the offered rate, helping to cut its overall costs.

In minor currencies, particularly those in emerging markets, obtaining interest on foreign currency accounts can cause problems and only the most insistent clients are likely to get the best rates. Mr Jeremy Paulson-Ellis, chairman of Genesis Fund Management which specialises in emerging markets, says his agreements with custodians allow him to deal away from them when the rates are not the best on offer.

While awaiting settlement, the cash will sit in an account. If the client is not careful, interest may not accrue or it may not accrue at a commercial rate. The custodian bank, however, may earn a turn by putting that cash into the money markets unless the client agreement specifically offers cash on all balances.

Finally, there is what is known as "fail float". This occurs when bargains are struck but for one reason or another, the stock is not delivered and the cash is not paid. According to an executive at one leading US global custodian, most clients pay funds from the official settlement date, not the actual. In particularly inefficient markets, banks may have free use of client funds for days, even weeks, and the client earns no return.

Indeed, says Mr Richard Foster, a partner in Booz Allen, a smoothly running clearing, settlement and payments system is not necessarily profitable for banks. "Thirty per cent of revenues of commercial banks come from interest income. They do not have an interest in seeking more efficient cash management."

For some custodians, particularly the investment banks which have a large stockbroking and market-making operation, the driving force for entering the global custody business is stock lending, said Mr Foster. Having the securities in-house in their custody department guarantees them ready access to securities needed for delivery to their own clients on the stockbroking side. And, while clients receive typically a fee equal to half a per cent of the value of the transaction, returns to the custodian can be far greater. "For the investment banks, it is securities lending that is driving them into the custody business," Mr Foster said.

Some custodians admit that stock lending is a significant source of revenue. One US bank described an agreement with a public pension fund client with more than $9bn under management. As long as the bank is allowed to lend the client's stock, the custodial service is free. When stock lending dries up, the fees rise to $400,000 to $500,000 a year.

Mr John Morris, head of European investor services at Citibank, said his organisation favours the use of a simple tariff with two elements: one is a per-transaction charge and the other is one based on the value of the portfolio and covers all transactions in a given period. However, Mr Morris concedes that some customer anxieties about the lack of fee transparency do have some basis. "Sometimes fees are difficult to track and charges from sub-custodians are passed on to the customer," he said. It may not be clear to clients exactly how much they are being charged for each transaction or whether the fee they are charged bears any relation to the sub-custodians' cost.

Mr Michael Robarts, managing director at Fleming Investment Management, said he prefers an arrangement known as "contractual settlement" in which the client pays for securities bought and receives cash for securities sold on the day of contract. If the counterparty fails to hold up the other end of the bargain, the custodian either must lend the cash to the client or is allowed to receive the benefit of unused cash.

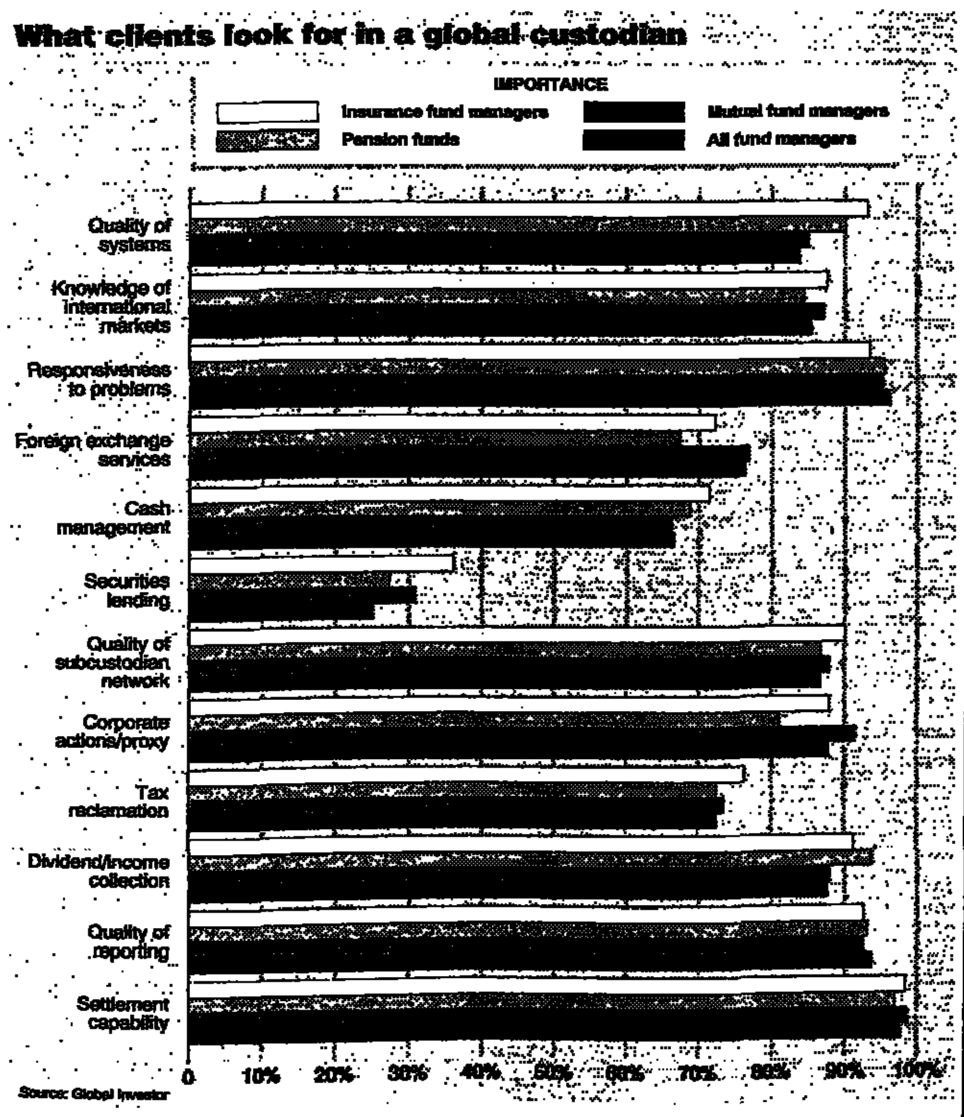
Fee income contribution for the Salomon Brothers 50-bank index ($m)[1]

Company	Fee income as percentage of average total assets 1990	1991	Fee income as percentage of total revenues 1990	1991
Bank of New York	1.73%	2.08%	36.28%	38.31%
Bankers Trust NY	2.00	2.04	40.35	37.89
Chase Manhattan	1.69	1.85	33.39	33.25
Chemical Banking Corp	1.54	1.46	34.93	29.48
Citicorp	2.77	2.70	43.84	40.51
J.P. Morgan & Co	0.92	1.06	27.79	27.46
Republic NY Corp	0.55	0.53	22.13	18.47
Bank of Boston Corp	1.81	1.88	38.25	37.24
First Chicago	1.94	1.98	41.82	44.50
Continental Bank Corp	1.26	1.55	39.51	39.96
Money centre total	**1.86**	**1.89**	**38.21**	**35.80**
Fleet/Norstar	2.27	2.29	38.91	34.85
KeyCorp	1.26	1.38	22.93	24.46
First Fidelity Corp	1.11	1.15	23.13	22.02
CoreStates Financial	1.76	2.50	27.19	34.09
PNC Financial Corp	1.41	1.69	30.63	31.42
Banc One Corp	2.39	2.49	33.53	31.47
National City Corp	2.15	2.35	34.13	35.65
NBD Bancorp	1.05	1.11	21.94	22.21
First Bank System	1.61	1.91	31.44	30.84
Norwest Corp	2.50	2.63	36.27	35.89
NationsBank	1.37	1.44	28.56	27.10
First Union Corp	1.38	1.75	27.31	29.92
SunTrust Banks	1.76	1.80	28.58	29.08
Wachovia Corp	1.47	1.50	27.32	27.14
BankAmerica Corp	1.72	1.80	29.63	29.74
First Interstate	2.11	2.16	32.05	32.07
Security Pacific	1.88	2.53	33.88	41.14
Wells Fargo & Co	1.74	1.63	27.40	26.09
Super-regional total	**1.71**	**1.88**	**30.29**	**30.89**
Mellon Bank Corp	2.67	2.61	46.81	41.05
State Street Boston Corp	4.56	4.91	58.72	62.24
Wilmington Trust Co	2.51	2.55	38.25	37.70
Northern Trust Corp	2.93	3.10	52.09	51.75
Boatmen's Bancshares	1.42	1.52	28.14	28.64
Mercantile Bancorp (St Louis)	1.50	1.53	28.03	27.57
Fifth Third Bancorp	1.97	2.04	32.12	32.06
First of America	1.16	1.21	20.74	21.04
Marshall & Ilsley Corp	2.59	2.98	38.32	40.99
Old Kent Financial Corp	1.18	1.24	22.27	22.37
Society Corp	1.50	1.40	25.72	22.27
AmSouth Bancorp	1.44	1.61	28.55	28.70
Barnett Banks, Inc	1.35	1.42	24.82	24.86
Crestar Financial	1.28	1.55	24.62	26.17
First American Corp	1.85	1.28	32.07	25.40
First Tennessee National	1.55	1.59	25.25	24.04
Signet Banking Corp	1.47	2.03	27.05	30.68
First Security Corp	1.34	1.48	24.46	25.72
US Bancorp	1.63	1.93	28.37	30.06
Valley National	1.71	2.02	27.74	30.32
West One Bancorp	1.32	1.37	24.86	24.98
Bancorp Hawaii	0.85	0.78	17.83	16.63
Regional bank total	**1.82**	**1.93**	**32.11**	**31.80**
50-bank total	**1.79**	**1.89**	**33.81**	**32.97**

1 Fee income excludes trading income and securities gains

Sources: Company reports and Salomon Brothers Inc calculations

What clients look for in a global custodian



Source: Global Investor

ALTHOUGH global custodians have diversified, it is still the ability to settle trades in a timely fashion which clients rate as the most significant aspect of the business. More than 90 per cent of all types of fund managers rank the provision of basic settlement services as crucial to their choice of custodian. Also, the quality of information systems and responsiveness to clients rank high.

Significantly, securities lending, perhaps the most attractive aspect of the global custody business for some of the new entrants, is still a relatively insignificant service. Fewer than 30 per cent of all clients find it of any importance at all.

David Lane on Monte Titoli's successful formula

User satisfaction

ITALY'S Monte Titoli ranks high among the world's most efficient custodians. "We are very happy with Monte Titoli's service. No problems, and no real complaints," says Paolo Azzoni, of Milan securities intermediation company, Gamba Azzoni Sim.

A similar view comes from Renzo Noris, who heads the securities service at Banca Commerciale Italiano (BCI). "Monte Titoli has proved a great benefit to banks. BCI used to have securities custody at 150 branches. But the cost was very high, in terms of space, staff and physical security. We have obtained significant savings."

Paolo Basilico, of Milan's Giubergia Warburg Sim, says: "Monte Titoli works smoothly and efficiently." He adds that centralised securities custody greatly assists his company's work, and also keeps costs down. "Though Monte Titoli could be less expensive, we incurred even greater costs before, particularly with items like insurance premiums and delivery."

This seeming paragon was established in February 1978, and became operational four years later. Monte Titoli encountered difficulties at the beginning, however, and growth was held back in early years. It was only after enactment of Law 289 in June 1986, which clarified the *giuridical* [legal] position of securities custody, that the organisation was able to start developing its full potential.

The 1986 law defines Monte Titoli, a joint stock corporation, as an institution for the centralised custody and administration of securities. Its sole objective is the provision of services aimed at rationalising securities custody and negotiation.

Shareholdings in Monte Titoli are limited to a small number of permitted categories; banks, active stockbrokers, securities intermediary companies and similar organisations abroad, on the basis of reciprocity. New articles of association, approved in July, restrict the total stake held by stockbrokers to 12.5 per cent of share capital, while the limit for foreign organisations and securities intermediation companies is a total of 10 per cent for each category.

'Theoretically, there could be competition, but not in practice'

No single shareholding must exceed 7 per cent, with one exception: the Bank of Italy, on which no limits are placed. Indeed, the central bank has a 42.3 per cent stake in Monte Titoli's L16bn ($11.77m) share capital, and the company's results are shown in the Bank of Italy's own financial statements.

Should shares or options in new issues not be taken up, shareholders may offer them only to the Bank of Italy. That it has a central role in Monte Titoli is further underlined by its statutory right to appoint a member of the board of directors.

Clearly, Italy's centralised securities custody organisation is more than an ordinary joint stock corporation. "Recognition by specific legislation as a service of public utility gives Monte Titoli a special standing," says general manager Dino Abbrescia.

"Theoretically, there could be competition, but not in practice," notes Mr Abbrescia. Monte Titoli's official status has brought strong support from state bodies such as its main shareholder and the companies and stock market commission Consob, and has resulted in an impregnable market position. "No newcomer could compete on cost, and it would not be able to find business."

Mr Abbrescia says that, given the practice of majority shareholders and members of control syndicates to hold their shares, the quantity of registered shares and similar securities that are deposited with the organisation is about 92 per cent of those that could be realistically centralised. Statistics show that, based on nominal value, 38 per cent of registered shares and similar instruments were held by Monte Titoli at the end of last year.

In the case of bearer shares and similar securities, 68 per cent of the total nominal value was deposited with Monte Titoli, while the figure for bonds was 83 per cent. Significant progress has been made for both; figures at the end of 1990 were 58 per cent and 74 per cent respectively.

Monte Titoli's service is voluntary, in that owners of securities are not obliged to deposit them. Italy's system permits those who want to hold their securities to do so. Indeed, last year the number of operations of certificate withdrawal from Monte Titoli rose, from 9,500 to 13,000 in the case of shares and from 1,600 to 3,800 in the case of bonds.

However, in favour of paperless work, there was a significant increase from 260 to 286 in the number of securities issuing bodies and companies that registered with Monte Titoli last year. At the same time the number of securities admitted to custody rose from 947 to 945. Mr Abbrescia notes that this was due principally to a ruling by Consob which compelled the reticent to come into line.

Statistics for the face value of securities held by Monte Titoli at year-end show rapid growth. Ten years ago, Italy's centralised custody organisation held securities with a face value of L706bn. By 1987 the figure had risen to L46,516bn, and at the end of last year it was L97,668bn. It now totals more than L100,000bn.

The increase in the number of Monte Titoli's users has been such that often there are no physical exchanges in the daily settlement of transactions in the Bank of Italy's settlement rooms. From 460 at the end of 1990, the number of users (banks, stockbrokers, securities intermediation companies, commission houses and issuers) increased to 460 at the end of last year and passed the 500 mark early this year.

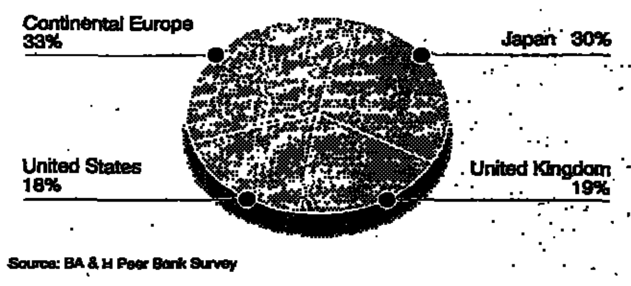
However, Monte Titoli is more than a custody service. It administers the securities it holds, dealing with rights issues and dividend payments. "Rights issues highlight the benefits that Monte Titoli offers the system," says Mr Basilico. "In the past these operations created considerable difficulties for the banks. Monte Titoli manages easily, as the recent RAS issue showed."

Payment of dividends is another service handled. Last year this concerned 15.1bn registered and bearer securities for a total net dividend value of L1,731bn. The figures in 1990 were 14.1bn securities and L2,177bn.

The addition of securities quoted on Italy's USM will provide new volumes, and so also will Italy's privatisation process which will bring some new names to the main board.

Principal markets' cross-border assets

1990 total: $1,200 billion



Source: BA & H Peer Bank Survey

Decade of achievement

NEXT year Dino Abbrescia will celebrate 10 years at Monte Titoli, Italy's centralised securities custody organisation. He joined soon after operations began, and has enjoyed a busy decade, helping Monte Titoli settle down into a smooth routine.

Mr Abbrescia, a 57 year-old Milanese, had filled a knapsack full of experience in securities trading and treasury operations at Monte dei Paschi di Siena and the Istituto Centrale Banche e Banchieri before taking up the challenge at Monte Titoli, where he is general manager.

"There were real headaches at the beginning. Serious *giuridical* [legal] issues had to be resolved and enormous user resistance overcome," says Mr Abbrescia. "Eventually, legislation enacted in 1986 settled interpretive differences about *Monte Titoli's corporate* nature. It is a service operation not a fiduciary company."

While unpicking the knots of Monte Titoli's legal status, Mr Abbrescia was also trying to encourage participation by securities issuers and dealers. "It needed an exhaustive and exhausting propaganda campaign of seminars, conferences, debates and meetings to convince potential users to switch to this unknown service."

Mr Abbrescia notes that when he started at Monte Titoli only 40 securities issuers used the service. Now there are nearly 300. "A lot of credit should be given to Fiat and Pirelli who were early, strong supporters," he says.

Equally important in the struggle to win acceptance for Monte Titoli was the Bank of Italy, an institution well-known for its powers of moral persuasion. It firmly encouraged Italy's banks to transfer their securities custody activities to Monte Titoli.

"Fewer than 50 banks were users of Monte Titoli 10 years ago; today there are nearly 200. Their reluctance was understandable. Not only were our services unknown, but banks also faced the need to review their internal procedures and modify their data processing in order to switch to us," explains Mr Abbrescia.

Concern about costs also played a part in deterring brokers and banks from using Monte Titoli. "Small brokerage firms particularly were worried that the costs would weigh excessively on their operations, and affect relations with clients. But the charges made by Monte Titoli have been much lower than the costs that users would otherwise have incurred," claims Mr Abbrescia.

Monte Titoli's general manager says that, while all the principal problems of centralised securities custody in Italy have been resolved, new factors will always appear and changes in markets will call for modifications to the service. For some changes, Monte Titoli is already prepared. "If cash settlement were to be introduced today we could handle it tomorrow."

This raises memories of the mid-1980s, when settlement of Italian securities transactions seemed an unreachable goal for many foreign investors. "Such complaints are not made today," says Mr Abbrescia, noting that cross-border transactions are an issue under study. Maintaining regular contact with counterparts abroad, he would quickly be aware if matters were going wrong.

David Lane

Alan Cane discusses information technology

Tailor-made systems

INFORMATION technology makes modern global custody services possible at an economic price. Without efficient data transmission, processing and electronic document interchange to keep track of share certificates and dividend payments and to ensure that currencies are translated accurately, global custodians would be forced to rely on telex and manual processing; time-consuming, costly and prone to errors.

Against this must be set the substantial investment in computers and computer software which serious players have to make; software packages running on personal computers may cost tens of thousands of dollars but for a large system running on a mainframe computer, the base price is several million dollars. Banks writing their own bespoke software will be able to create systems tailored to their exact needs and such developments are never cheap.

Lloyds Bank in the UK, for example, is one of those developing its own system; it is using ACT's Quasar investment management package as the basis for its development. It will say little about the functions its system will support or about its progress, arguing that other custodians could gain useful insights from such information. Its reluctance to give anything away speaks volumes for the level of competition in the market today.

The development of computer systems for global custody is following the pattern established for most financial software over the past three decades. In the beginning, banks developed their own systems either on their own or with the assistance of a software house. Some of these developments proved robust and flexible enough to be packaged and sold to other institutions.

Now a new generation of products is emerging based on "open systems" principles. Open software obeys industry standards, enabling it to run on a wide range of standard hardware; a typical advantage in open systems software is the graphical user interface (gui); computer operations are indicated on the screen by small pictures rather than by text.

There are also developments in ways of connecting customers to their custodians which are reminiscent of the vogue for treasurer's workstations a decade ago. There are three basic approaches. The simplest is a dumb terminal which can be connected through a dial-up link to the custodian's computer. This allows portfolio inspection, but not much more.

The next stage is to download data from the custodian's system to the customer's personal computer; this makes possible more elaborate reports and instructions to be transmitted. The final sophistication is a direct computer to computer connection which essentially gives the customer privileged access direct to the custodian's computer system. Typically, the customer will use a personal computer or workstation; guis make the process of interaction that much easier.

The trend among global custodians is towards packaged software rather than systems written in-house, reflecting both costs and the flexibility which can be built into packages through modular and parameter-driven construction.

There are now some 40 packages which run on specific manufacturers' hardware and almost as many open systems offerings.

The leading proprietary packages include VSPS, developed by Vista Concepts of the US, Omni GS from Dyatron, Fundmaster from BIS and Paladign, written by Clarke and Tilley in the UK.

Leading open systems packages include GSM also from the Dyatron stable, Synopsis from RIMS and Belvedere GPS, developed by Belvedere Europe.

VSPS from Vista Concepts is the market leader in top-of-the-line systems. It costs typically from $1m to $10m. It is an on-line system offering multi-currency, multilingual real-time processing. Data need only be entered once. It deals with clearing, settlement and customer reporting. Newer features include provisions for handling a variety of new financial instruments together with advanced portfolio reports and money management.

But a principal advantage, according to Vista Concepts' founder Bill Potter is its flexibility. It can be modified to suit individual customers's needs. For this reason, it has been chosen as the basis of Taurus, the London Stock Exchange's much delayed settlement system. According to Mr Potter, The Vista Concept's team is on time with its share of the development work.

VSPS grew out of a project commissioned by the Banque National de Paris; now it is used by Citibank and Chase Manhattan in the US and Midland Bank in the UK.

FINANCIAL TIMES
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INSIDE

Saudi prince backs Circle K scheme

A Saudi prince yesterday emerged as the potential backer of one of three reorganisation schemes being put forward for Circle K, the bankrupt US convenience store chain. Commonwealth Oil Refining Company of Arlington, Texas, says Prince Turki bi Fahd bin Jalawi Al Saud has made a "firm written commitment" to contribute $360m of equity capital towards its reorganisation plan for Circle K. Page 17

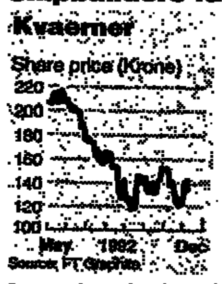
Still shouting in Chicago

Computer trading may be where the future lies for financial markets in general, but North America's largest futures exchanges are all planning to expand their trading floors in 1993, sticking loyally with the open outcry system. The Chicago Board of Trade, the world's largest futures exchange, joined the expansion boom this month with a proposal to build a $150m trading facility. Page 17

Private train flops in Paris

A driverless train connecting Paris's Orly airport with the nearest suburban rail line has flopped barely more than a year after starting up. The line, built for FFr1.75bn ($327m) by Matra, the transport to defence electronics group, was Paris's first experiment with privately run public transport. It is to go into voluntary liquidation and be taken over by RATP, the state-owned Parisian public transport board. Page 16

Shipbuilders face bright future



European shipbuilders have been hit hard this year by a weak dollar, falling tanker rates and volatility in European financial markets. Kvaerner, Europe's largest shipbuilder and the fifth-largest in the world, has seen its free shares slip from a year's high of NKr229 in January to a low of NKr117 in early September. Analysts believe the group is in a good position to benefit from an expected turnround in the sector. Back Page

Gummer tries to calm Caribbean

Mr John Gummer, Britain's farm minister, made a trip through the Caribbean at the weekend to mollify concern over proposals by the UK for the marketing of bananas when the single European market is created next month. In the wake of Mr Gummer's visit, in which he met representatives of the Belize, Jamaica and Windward Islands banana industries in separate meetings over two days, reaction was mixed. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			PARIS (FFr)		
Rises			Rises		
Aachen Mch	810	+ 122	Imetal	327	+ 6
Aska	785	+ 20	Sefimeg	425	+ 8
Falls			Falls		
Deutsche Bk	653.1	− 13.9	Air Liquide	749	− 12
Holzmann Ph	821	− 11	Axa	973	− 12
Kaufhof	409.2	− 13.3	Coparex	586	− 23
Linotype	584.5	− 12.5	Fonc Lyonnaise	526	− 27
NEW YORK ($)			TOKYO (Yen)		
Rises			Rises		
Deere	39⅞	+ 1¼	Dai-ichi Kogyo	490	+ 40
Gen Motors	34⅝	+ ⅜	Koesed	3380	+ 370
Heinz	44	+ 1	Shinyei	376	+ 36
Falls			Tamura	377	+ 45
Boeing	39¾	− ¾	Falls		
IBM	65	− ⅜	TDF	221	− 19
Times Mirror	30	− ⅝	Tokyo Theatres	313	− 22

New York prices at 12.30.

LONDON (Pence)					
Rises			Tadpole Tech	113	+ 28
Atkins	103	+ 7	Vaux	215	+ 6
BICC	309	+ 13	Falls		
Campbell&Arm	17	+ 3	Chiltern Radio	92	− 4
Emess	10½	+ 3	Enterprise Oil	447	− 9
Evode	95	+ 5	ICI	1016	− 9
GUS A	1588	+ 21	Lasmo	154	− 8
Legal & Gen	423	+ 14	Ossory Ests	4	− 2
Pilkington	83	+ 3	Sturge	73	− 2
Sage	455	+ 21	TI Group	296	− 7
Siebe	394	+ 7			

Alitalia set to buy 35% of Malev

By Nicholas Denton in Budapest

HUNGARIAN government officials indicated yesterday that Alitalia, the Italian state airline, was poised to acquire a minority stake in Malev, the Hungarian carrier, against stiff competition from Lufthansa of Germany.

A formal announcement of the sale is expected next week, although some observers have not excluded the possibility of a last-minute push by Lufthansa, which has been keen to extend its growing east European coverage by forging a partnership with Hungary's flag carrier.

Officials in Budapest said the winning bidder will take a shareholding of around 35 per cent in Malev, at a cost of more than $60m. An Air France-led consortium earlier this year paid $60m for 40 per cent of CSA, the Czechoslovak carrier.

Negotiations on the Malev deal have been taking place for some time. However, the airline indicated a solution was imminent by announcing last week that it would hold a shareholders' meeting on January 8 to approve a capital increase linked to its privatisation.

If Alitalia emerges as the successful bidder, it will have overcome opposition from influential officials within the Budapest government, who felt that a link-up with Lufthansa would have provided a more secure future for the Hungarian carrier. Malev, which is seen as one of the better-managed and more efficient of the former Communist-dominated east European airlines, has been seeking a European partner to help it compete on new international services using western aircraft.

In May, British Airways, Lufthansa and KLM Royal Dutch Airlines were identified as leading contenders. British Airways said it was not seriously interested; and KLM later announced it was dropping out of the bidding.

The success of Alitalia's bid appears to have been based on superior financial terms to Lufthansa's proposal. Although smaller than the German airline, Alitalia has been striving to improve quality and profitability in recent years. The deal would mark its first equity stake in a foreign airline.

Malev's pre-tax profits rose 57 per cent in 1991 to Ft3.09bn ($35m), in spite of the worldwide recession in the airline business.

It needs capital to replaceits largely Soviet-made fleet with more modern western aircraft.

Tending to Airbus's clipped wings

Paul Betts on the likely damage caused by Northwest's cancelled order

The European Airbus consortium has just suffered its worst setback in its 20-year history with the largest cancellation of new aircraft orders from its single biggest customer.

The decision of Northwest Airlines of the US to cancel orders for 74 Airbus aircraft worth $3.5bn was said yesterday to have come as a "bombshell" by one London aerospace analyst.

Northwest, with 140 Airbus aircraft orders of which 34 have already been delivered, was the largest customer of Airbus. GPA, the Irish leasing company has 123 orders, Lufthansa of Germany, 111 orders and Air France has 67 orders.

The blow for Airbus is more painful because it involves the European consortium's latest jet, the A340 long-range widebody aircraft due to enter service next year. Northwest, one of the A340 launch customers, cancelled all its 24 orders for the new Airbus as well as cancelling orders for 50 smaller A320 twin-engine aircraft.

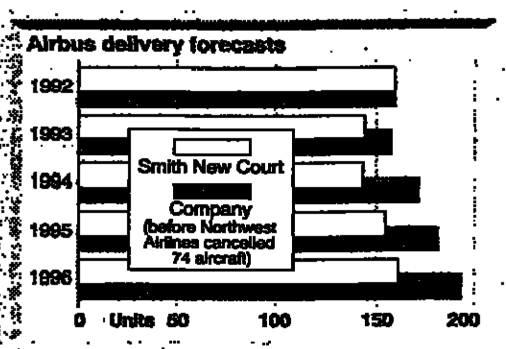
The full scale of recession in the airline industry has been brought home to Airbus. A month ago, Mr Jean Pierson, Airbus chief executive, reached an agreement with GPA over the rescheduling of the deliveries of 82 Airbus aircraft between now and 2003.

The consortium has also faced cancellations and order delays from other troubled airlines this year and there are likely to be more in coming months, although none on the scale of Northwest.

During a recent record-breaking 15 hour and 21 minute non-stop A340 test flight between Frankfurt and Honolulu, Mr Pierson admitted that "nobody knows when the industry pick-up will happen". He said the civil aerospace industry would remain under intense pressure well into next year and probably into 1994.

Industry analysts are even more pessimistic. Mr Keith Hodgkinson, of the Shearson Lehman investment group, said yesterday he did not expect a general recovery in the rate of aircraft production until 1996.

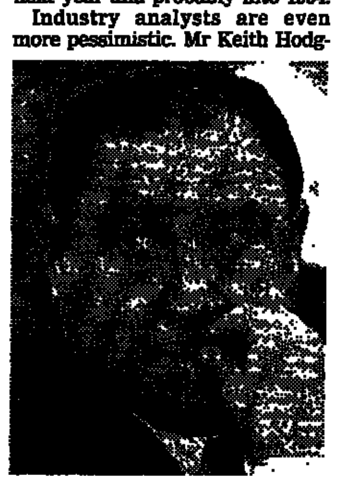
Airbus orders and deliveries



Airbus orders*

Aircraft	Number of engines	Typical seating	Deliveries from	Orders
A300-600	2	268	current	87
A310-300	2	220	current	38
A319	2	124	1995	0
A320	2	150	current	310
A321	2	186	1st qtr 1994	144
A330	2	335	4th qtr 1993	143
A340	4	263-295	1st qtr 1993	103

Source: Airbus and Smith New Court. * after Northwest Airlines cancelled 50 A320s and 24 A340s



Jean Pierson: 'Nobody knows when the pick-up will happen'

The industry is still suffering from overcapacity. During the past two years, the three main manufacturers – Boeing and McDonnell Douglas in the US and Airbus in Europe – have added about 10 per cent in new passenger seat capacity at a time when airline traffic was slowing. In 1991 airline traffic fell 3 per cent, the first fall since the second world war.

The rate of new aircraft production will have to be cut by 25 per cent to 30 per cent during the next three to four years to bring capacity in line with demand. This will involve a cut in deliveries by the big three manufacturers from more than 800 new aircraft deliveries both in 1991 and 1992 to around 550 annual deliveries during the next four years.

For Airbus, the immediate implication of the Northwest cancellations will be a further scaling back of its production plans.

Airbus has already announced a cut in the rate of future production. It had originally expected to see production rise from 160 aircraft this year to 220 aircraft in 1995 as new aircraft including the A340, the A330 and the A321 started rolling off the assembly line. Last month, it said it did not expect to produce more than 180 aircraft in 1995. It will now have to trim production targets even further.

This is bound to have a big impact on all four Airbus industrial partners – British Aerospace (20 per cent), Aérospatiale of France (37.9 per cent), Deutsche Aerospace (37.9 per cent) and Casa of Spain (4.2 per cent).

BAe, which makes all wings for Airbus aircraft, has already scaled back wing production at its Chester facility to reflect the retrenchment in Airbus output. The Northwest cancellation alone, according to Mr Hodgkinson, could cost BAe around £100m ($160m) in lost turnover as each A320 wing set accounts for about £5m of turnover and each larger A340 wing set for around £10m.

The cuts in future production are expected to put additional pressure on jobs in the European aerospace industry. In the UK alone, Airbus supports about 30,000 jobs at some 300 companies, as well as about 7,000 jobs at BAe itself. "This is a bitter blow, coming on top of the massive job losses in aerospace: we are concerned about the effect the Northwest decision will have on jobs," said Mr John Weakley of the Amalgamated Engineering and Electrical Union.

> 'This is a bitter blow... we are concerned about the effect the Northwest decision will have on jobs'

The continuing recession in the airline industry is also likely to delay Airbus plans to develop new products. Airbus had hoped to launch at the end of this year a programme to build a smaller 125-seat derivative of the 150-seat A320 twin-engine aircraft.

Mr Pierson recently said he did not expect the programme to be launched before next March. Now airlines in the depressed market are unlikely to commit themselves to buy the new aircraft.

The Northwest cancellation, as well as other order deferrals and cancellations, is likely to force Airbus to make hefty provisions against future aircraft delivery risks when it closes its 1992 accounts in February.

Mr Pierson expects Airbus to show an operating surplus in 1992 for the second year running of around £220m. But he has also warned that the consortium's net profits would depend on the amount of provisions Airbus will have to make to cover financial risks.

Mr Pierson is convinced the market will eventually rebound, and Airbus will be in a strong position to take advantage of the recovery with its broad family of technologically advanced airliners.

But he recently remarked: "As I surveyed the battered and beaten state of the airline business, I could not help but recall one of Murphy's Laws of Life: 'You can't win... you can't break even... and you can't quit.'"

Skandia may bid for part of Hafnia

By Christopher Brown-Humes in Stockholm

SKANDIA, the leading Swedish insurance group, has emerged as a potential bidder for the core life and non-life operations of Hafnia, the troubled Danish insurer which suspended payments to creditors in August.

The move would be a significant step towards the group's ambition of achieving a 20 to 25 per cent market share in Scandinavia.

It has a comparatively weak presence in Denmark compared with its operations in Sweden and Norway.

The move also renews the group's interest in Hafnia after its bid to take over the entire group was rebuffed in April.

Mr Bjorn Wolrath, Skandia president, said prices had not been discussed as the group was not yet involved in active negotiations.

Analysts value Hafnia's domestic non-life and life businesses at a minimum of DKr2bn ($328m).

The sale of Hafnia's operations is being handled by the US securities house Morgan Stanley.

It is understood that two other groups are also interested in Hafnia's Danish operations, including Codan, the Danish insurer which is majority-owned by Sun Alliance of the UK.

Acquiring Hafnia's non-life business would make Skandia the biggest non-life insurer in Denmark, with a 20 per cent market share.

Its life share would increase from 1 per cent to about 10 per cent.

At the same time, the group might acquire Hafnia's 14 per cent Skandia stake, assisting it in its wider ambition of clearing up the uncertainty surrounding its shareholder base.

Some 50 per cent of the group's shares are in the hands of willing sellers, including a 28 per cent stake held by Uni Storebrand group, the Norwegian insurer.

Skandia also said it was discussing the sale of Panfinancial, its UK political risk and credit insurance business, with three continental European insurance groups.

The group is currently reshaping its strategy by sharply limiting its exposure to reinsurance and concentrating more heavily on direct non-life and life insurance on the Nordic home market as well as in the UK, US and continental Europe.

Sturge Holdings plans move to corporate capital at Lloyd's

By Richard Lapper in London

STURGE HOLDINGS is planning an insurance venture to take advantage of the possible move towards corporate capital at the Lloyd's of London insurance market.

News of the development emerged yesterday when Sturge, the biggest group of agencies at Lloyd's, reported a 12.5 per cent cut in pre-tax profits to £7.75m ($11.7m) for the year to September 30. The dividend was reduced by 50 per cent to 8.25p.

The venture, which would initially have between £25m and £50m in capital, could either be a fully-fledged insurance company regulated by the Department of Trade and Industry or a new form of insurance organisation operating under the Lloyd's umbrella.

In either case the venture, backed by outside capital, could reinsure the 24 Lloyd's syndicates managed by Sturge.

Mr Peter Davis, deputy chairman and finance director, said that Sturge had discussed the idea with the DTI and Lloyd's although no final decision had been taken. "It is still some way off," he added.

Sturge was particularly interested in persuading pension fund and other institutional investors to back its venture, said Mr Davis.

Lloyd's is still investigating the practicality of attracting corporate capital to the market in the wake of the recommendations of the Rowland task force earlier this year.

The group's fall in profits was largely due to a cut in profit commission (paid by syndicates to the agency), reflecting a poor performance in the 1989 underwriting year at Lloyd's, where results are reported three years in arrears.

Profit commissions fell from £14.08m to £5.91m and agency fees fell to £14.58m from £16.31m. The decline in income was only partially offset by a rise in fees and commissions from other sources to £3.03m, from £242,000, and a better performance by the group's Wise Speke stockbroking subsidiary where profits were up to £9.64m from £8.49m.

Cost cutting and tighter management held back expenses growth.

Overall turnover of £33.16m (against £39.12m) exceeded expenses of £29.02m (down from £35.23m) by £4.14m. Net interest and other income receivable fell to £3.61m from £4.99m.

Warburg to lead third BT offer

By Roland Rudd in London

SG WARBURG was yesterday appointed to act as global co-ordinator, financial adviser and lead broker in the UK government's third sale of shares in British Telecommunications.

The government is expected to sell most, if not all, of its 22 per cent BT shareholding, which is worth £5.4bn at last night's closing price of 401p.

However, ministers are expected to make their final decision on the size of the sale as late as possible to ensure that demand exceeds supply.

The BT share sale is part of the government's plans to raise £5.5bn ($8.36bn) from privatisation over the coming year and a similar sum in 1994-95. The structure of the last BT sale will be used as a springboard for the next sale, involving offers to both retail and institutional investors.

Retail investors will be offered some inducement to buy shares. Last time they received a 45p discount on the 350p price paid by institutions.

The Treasury plans to develop last year's use of "share shops" to promote its goal of wider share ownership. Cheap dealing rates were available to investors registering with a share shop in the last sale.

It may increase the number of preferred retailers to issue the third tranche of BT shares. Last year's BT sale involved just eight share shops, which excluded smaller share service companies which specialise in selling shares to the public. A government official said: "We need to work up further our ideas on share shops to improve the way they work."

The role of regional lead managers in Europe may also change.

While no decision has yet been taken, the government may feel it unnecessary to appoint formal lead managers throughout continental Europe.

SG Warburg may decide it has sufficient access to the main investors and therefore take a more direct role in selling the shares to big institutions.

Ministers expect it will be easier to market the shares this time because the regulatory and political environment is more stable. The last sale was dogged by uncertainty before a general election and a price review by Oftel, the regulatory body.

The government has already sold two tranches of shares in BT. The first was in 1984 and the second was last December.

Lex, Page 14

Rival bidders take over Spanish property group

By Peter Bruce in Madrid

A BIDDING war for El Encinar de los Reyes, a medium-sized Spanish property group, ended yesterday when two rival bidders, Banco Bilbao Vizcaya, the large commercial bank, and the Olazabal family which controls El Encinar, agreed to join forces to take over the company.

The groups said they planned to make a bid, worth Pta170bn ($1.5bn), offering Pta2,900 a share, for the whole of El Encinar. Mr Jaime Olazabal would become president and Mr Santiago Bergareche, president of Metrovacesa, BBV's property arm, would become deputy president.

The fight for control of El Encinar, which owns a former US Air Force housing base outside Madrid, had split Madrid's investment community since October, when the Olazabals, who control 35 per cent of the target company, launched a formal takeover offer, at Pta2,500 a share, for a further 14 per cent. That would have given them control as El Encinar owns 3 per cent of its own equity as treasury stock.

The BBV, which had built up a stake of 24.9 per cent of El Encinar earlier this year, countered with an unusual promise that it would improve on the Olazabal offer – if shareholders ignored it – after it had expired. It did not say how much it would pay, nor how much it would offer.

The Olazabals increased their offer to Pta2,750 and complained to the courts that the BBV was flouting takeover rules by not bidding directly against it. Challenged to pronounce on the affair, the stock market commission said the BBV had acted correctly.

That ruling has probably established a precedent for other takeover battles in Spain, but the affair has made the authorities uncomfortable and the commission will have been relieved at yesterday's decision to make a joint bid.

El Encinar reported profits last year of Pta198m on assets worth Pta13.3bn. The buyers want to refurbish the former US base housing near Madrid, which has been paying low, controlled rents since the American forces first arrived in Spain in the late 1950s.

Two non-executive directors to be appointed to Amstrad board

By Paul Taylor in London

AMSTRAD, the UK consumer electronics group whose shareholders meet tomorrow to decide the fate of Mr Alan Sugar's 30p-a-share buy-out bid, has bowed to pressure from investors and is to appoint two non-executive directors to its board.

Yesterday, as the deadline for receipt of proxies for the group's extraordinary meeting passed, Amstrad acknowledged that Mr Sugar's £113m ($180m) bid to take the company private again looks "increasingly likely" to be defeated.

In a tacit admission Mr Sugar's proposals have met strong opposition, the company said it has asked Pro Ned, the independent organisation which promotes the role of non-executives, to draw up a shortlist of potential candidates for the Amstrad board.

An advertisement in the Financial Times tomorrow will invite applications. The advertisement says the first applicant "should have sufficiently senior experience to be able to appraise all financial aspects of the company".

The advertisement says the second applicant, "should be an industrialist with a consumer product manufacturing background, or be highly experienced in the distribution of consumer products to trade customers".

An unusual accompanying statement says that although the advertisement has been placed by Amstrad, "the board wish to demonstrate their independence in the appointment of two non-executive directors," and have therefore entrusted the selection of a short list to Pro Ned.

Mr Sugar, Amstrad's chairman and founder who has a personal 35 per cent stake in the group, promised at the group's annual meeting last month that if his bid failed he would appoint new non-executive directors to the board.

Since Mr Sugar made his buy-back offer, institutional investors in particular have been extremely critical that there was no "independent voice" on the Amstrad board looking after minority shareholders' interests.

Mr Tim Holland-Bosworth, a director at Kleinwort Benson, Amstrad's financial adviser, acknowledged yesterday that "a number of institutional shareholders had made the point" that they wanted to see non-executive directors back on the six-member Amstrad board. Amstrad had two non-executive directors after it became a public company in 1980, but both have since left.

Institutional investors, led by Prudential and Postel, have cited the lack of non-executive directors and the absence of financial forecasts and other information on Amstrad's prospects, as reasons for opposing the deal.

Amstrad's share price, which dropped 4p to 24p on Monday after it became clear that the buy-back plan faced increasingly strong opposition, gained 1p to close at 25p yesterday.

Video sales help Carlton to a 15% advance

By Angus Foster in London

CARLTON Communications, the television and film services company, yesterday announced a 15 per cent profits increase, helped by strong sales of video cassettes, especially in the US.

Pre-tax profits rose to £102.3m ($159.5m) from £88.3m in the year to September 30. Mr Michael Green, chairman, described the performance as "good progress in a tough year".

The results were in line with market expectations, although the shares slipped 2p to 717p on light profit-taking. Analysts expect Carlton, which takes over the London weekday TV franchise from Thames on January 1, to make profits of about £128m this year.

Video and audio production and distribution lifted profits 49.8 per cent to £46.6m. Video cassette production for customers like Walt Disney and Warner grew strongly, in line with the US "sell through" market. Pickwick, the European video and budget music distributor acquired in February, contributed £1m of operating profit on £42m of sales, although this did not include the busy Christmas season.

The television and film services division was affected by high US dollar exchange rates at its Technicolor processing subsidiary. Profits fell to £25.1m from £28.4m.

Video and sound products, which includes specialist production equipment sales to the TV industry, continued to recover and increased profits 39 per cent to £19.4m.

Carlton's net cash balance declined to £108.5m from £162.6m, due to increased working capital needs and investments. Net interest earnings fell to £10.5m from £17.9m. Profits from associates, mainly a 20 per cent stake in Central Independent TV, increased to £6.69m from £2.8m

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Parisian transport experiment fails

By William Dawkins in Paris

PARIS' first experiment with privately-run public transport flopped yesterday when the backers of Orlyval, a driverless automatic train, admitted they would have to write off FFr1bn ($187m) of debts and hand control of the lossmaking line to the state.

The line, built for FFr1.75bn by Matra, the transport-to-defence electronics group, is to go into voluntary liquidation and be taken over and run by RATP, the state-owned Paris public transport board, because it has attracted far fewer passengers than budgeted.

Orlyval, opened in October 1991, links Orly airport with the nearest suburban rail line and is an important showcase for Matra's *véhicule automatique léger*. It is Matra's second Val in France, after the publicly-run automatic metro in the northern city of Lille.

The private group which owns Orlyval is 34.7 per cent held by a consortium of banks, headed by Banque Indosuez, with 26.7 per cent held by Air Inter, the domestic airline, 18 per cent by Lyonnais des Eaux-Dumez, the construction and water distribution group, 17.3 per cent by Matra and 3.3 per cent by the RATP.

An Indosuez spokesman said yesterday that the group owed FFr1.58bn to its backers, of which the banks and the other shareholders had agreed to abandon two thirds. Orlyval will be able to pay back FFr250m before liquidation, while the RATP is prepared to pay back another FFr330m from future operating profits, said the Indosuez official.

Orlyval carries 5,000 passengers per day, or 1.5m annually, well under half the 4m passengers per year its backers were expecting. As a result, it made a FFr58.1m loss in its first year. It cut fares and launched a promotional campaign last summer to try to attract more passengers but to no avail.

● AXA, the French insurer, said that group profit will be below FFr3bn in 1992, Reuter reports from Paris.

Last year the group's net group profit fell 28 per cent to FFr2.4bn.

The company confirmed remarks made by Mr Claude Bebear, the chairman, that profits would be down from 1991 levels.

Dumez looks for refinancing

By Alice Rawsthorn in Paris

THE downturn in the French construction industry has forced Dumez, the building division of the Lyonnaise des Eaux Dumez industrial group, to seek FFr460m ($86m) in refinancing.

Dumez confirmed that it had been forced to ask Lyonnaise, its parent company, for FFr460m in new capital. It also announced plans to streamline its activities by withdrawing from peripheral businesses and concentrating on its core construction interests.

This rationalisation plan will be accompanied by more than 500 job losses among its 30,000 employees, the first at Dumez for over a century. These cuts are likely to be implemented next March, but a preliminary plan is expected to be presented to the workforce next week.

Dumez has performed poorly since its merger two years ago with Lyonnaise des Eaux, one of France's largest industrial concerns.

The Lyonnaise group's construction interests produced a loss of FFr38m in the first half of this year, thereby depressing the overall increase in group net profits to just 2 per cent to FFr711m.

Earlier this year, Mr Jean-Paul Parayre, who headed Dumez before the merger, was ousted as deputy chairman of Lyonnaise.

He has been replaced by Mr Jean-Louis Brault, a Lyonnaise director who previously worked for Bouygues, France's biggest building group.

● BTP, a French bank specialising in building and property, has disclosed losses of FFr220m for the first half of the year.

The bank has recently been forced to refinance in a FFr1.5bn package. Mr Jacques Bayle, chairman, said it had called a halt to all new property development projects and would be shedding 145 of its 668 employees in an attempt to return to profit.

WestLB continues expansion

By David Waller in Frankfurt

WESTDEUTSCHE Landesbank Girozentrale, the state bank of North-Rhine Westphalia, is expanding its influence in the German public sector banking arena with the acquisition of a stake in Landesbank Rheinland-Pfalz, the state bank of its closest southern neighbour.

WestLB and Südwestdeutsche Landesbank (SüdwestLB), its Baden-Würtemmberg associate, will pay DM750m ($471.6m) for a 50 per cent stake in the Mainz-based bank. WestLB will own 37.5 per cent and SüdwestLB 12.5 per cent.

The move is part of a complex restructuring of German public sector banking, with WestLB – one of Germany's biggest banks – playing a leading role. It is in negotiations to take control of a majority stake in the Kiel-based Landesbank Schleswig-Holstein, after winning the state government's approval for the move against a rival bid from the Hanover-based Norddeutsche Landesbank, the Landesbank for Lower Saxony.

WestLB, which is expected to report operating profits of about DM1bn this year, takes an active approach to its investment activities. It is believed to have spent DM1.6bn on industrial acquisitions since 1991.

Rodamco loss widens to Fl 405m

By Ronald van de Krol in Amsterdam

RODAMCO, the largest property investment company in the Netherlands, yesterday blamed the decline of sterling and a fall in property valuations for a widening of its net total investment losses to Fl 405m ($230m) in the first nine months of 1992-93. This compared with a loss of Fl 66m over the same period of 1991-92.

The company, which is part of the Robeco investment group, said that direct investment results – which comprise rental, interest and dividend income and which help determine the dividend to shareholders – rose to Fl 319m in March-November 1992 from Fl 300m a year earlier.

However, indirect results – which include currency movements and property valuations – fell into a loss of Fl 737m from a loss of Fl 386m a year ago.

In local currencies, property values were written down by Fl 433m, slightly less than the Fl 441m write-down seen in the same period of 1991-92. At the beginning of the current fiscal year, Rodamco had property assets of Fl 7.7bn.

In Britain, which accounts for roughly one-fifth of Rodamco's property portfolio, the value of properties was lowered by 16.6 per cent, nearly double the 8.6 per cent rate for continental Europe and well ahead of the 3.5 per cent for North America.

Sterling's depreciation was the main reason why currency movements made a negative Fl 300m contribution to indirect investment results. A year earlier, currency movements had added Fl 49m.

The company said that the 1992-93 dividend was likely to be unchanged.

Saudi royal steps in on Circle K reorganisation

By Nikki Tait in New York

A SAUDI prince yesterday emerged as the potential backer of one of three reorganisation schemes being put forward for Circle K, the bankrupt US convenience store chain.

Commonwealth Oil Refining Company, an oil company based in Arlington, Texas, said that it had received a "firm written commitment" from Prince Turki bi Fahd bin Jalawi Al Saud to provide $360m of equity capital towards the financing of a Commonwealth Oil-sponsored plan of reorganisation for Circle K.

Commonwealth, which materialised as a potential investor in Circle K in October, added that it would now file with the bankruptcy court an amended proposed plan of reorganisation for the company.

It claims that this will offer Circle K's senior creditors around $350m in cash – slightly more than the company's own reorganisation proposal.

Under the amended plan, unsecured creditors would also receive cash, while Commonwealth would emerge as the biggest single shareholder in the reorganised company.

The situation at the bankrupt retailer – which is based in Phoenix, Arizona, and continues to operate over 3,000 stores – has been mired in controversy for some months.

The company has put forward its own reorganisation plan, which essentially involves selling Circle K for $399.5m to CK Acquisitions Corp, an international investor group lead by Bahrain-based Investcorp.

Investcorp already holds various retail-related interests in the US, including Saks Fifth Avenue, the department store chain.

Circle K bondholders oppose the deal, however, and have put forward their own reorganisation scheme.

Yesterday, Mr Duncan Darrow, a lawyer with Anderson Kill Olick & Oshinsky, which is acting for the bondholders committee, claimed the bondholders were trying to find a way to join in a fully agreed deal and obtain "a reasonable recovery".

He suggested that the Commonwealth plan provided bondholders with a "meaningful recovery", although a spokesman for the law firm added that the bondholders were still pushing their own reorganisation scheme.

There was no immediate response from Circle K to the apparent changes in the Commonwealth plan.

Fatigued carrier files details of its new flight plan

After months of negotiations TWA hopes to be taken off the critical list shortly, writes **Nikki Tait**

CARL ICAHN, one-time corporate raider and owner of Trans World Airlines, has said he does not want to be remembered as the man who killed the carrier which Howard Hughes built up.

On Monday, as he negotiated the final elements of a restructuring deal with TWA's unions, creditors, and the US federal pensions agency, the New York-born financier went some way to avoiding that epitaph.

The proposed reorganisation, which includes a short-term loan to the airline, should take TWA off the critical list this winter.

Whether it moves the carrier – in bankruptcy since January and loss-making – out of the casualty ward in the longer term, is more debatable.

TWA's problems pre-date Mr Icahn's involvement and throughout the early 1980s losses from its troubled domestic routes outweighed profitable international operations.

Indeed, by 1986, when Mr Icahn entered upon the scene in share-punting style and acquired a 47 per cent block of shares, TWA was already under takeover threat.

At this point, however, the unions decided Mr Icahn was the best alternative on offer, and offered him large wage concessions.

This encouraged the financier to negotiate his way to management control.

Mr Icahn's ownership was then cemented in 1988, when TWA was taken private via a leveraged buy-out financed by Drexel Burnham Lambert, the now-defunct investment bank.

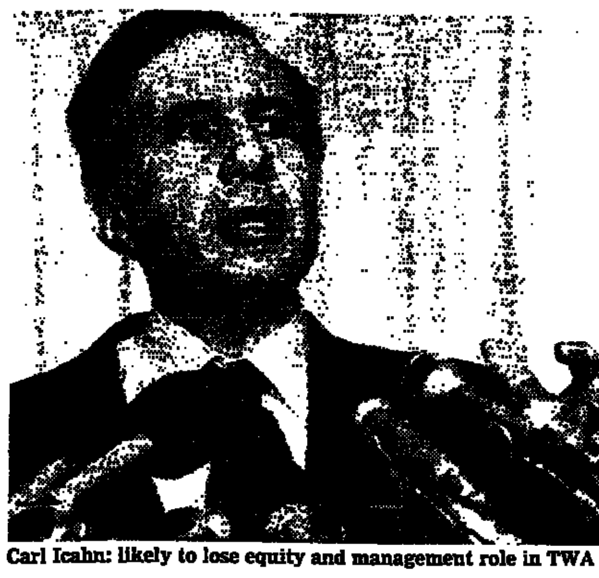
From Mr Icahn's perspective, it was a masterly deal, giving him 90 per cent of the airline's shares and $469m in cash – more than he paid for his original equity stake. Unfortunately, the transaction also added hundreds of millions of dollars of debt to TWA's balance sheet.

These heavy borrowings then compounded the difficult operating conditions in the airline industry during the 1990s. TWA suffered an operating loss of $162.3m in 1990 and another $353.5m deficit in 1991. Interest charges consumed another $302.8m and $287m in the same years.

For a while, the carrier struggled on, thanks to asset sales. Most notably, it sold off its London Heathrow routes to American Airlines in 1991. Asset sale proceeds of $681.7m that year allowed it to post a small net profit of $48.3m. But in early 1992, TWA finally filed for protection from its creditors under Chapter 11 of the US Bankruptcy Code.

Since the bankruptcy filing, pragmatism has been the order of the day, with all parties realising that the carrier could not survive with its existing balance sheet.

Given TWA's ageing fleet and the current glut of aircraft internationally, there was a strong incentive to restructure the carrier and hope the airline industry revives, rather than simply liquidate remaining assets. Creditors, unions and management have spent the past year negotiating with this aim in mind.



Carl Icahn: likely to lose equity and management role in TWA

The complicating factor has been TWA's pension plans. In the US, unlike the UK, there is a federal agency, the Pension Benefit Guaranty Corporation, which guarantees payment of basic pension benefits.

The PGBC claims the TWA pension plans are underfunded by more than $1bn and it is not anxious to pick up the bill. Its bargaining counter has been the notion of "joint and several liability" – that is, that Mr Icahn's level of ownership in TWA renders his other (more prosperous) private business interests responsible for minimum funding contributions to the plans.

This extremely important legal nuance seems to have surprised even the wily Mr Icahn.

So who gets and who gives what in the reorganisation deal?

● TWA's unions, thoroughly disenchanted with the Icahn management, have offered a 15 per cent wage benefit concession package, estimated to be worth $660m in savings over a three-year period. In return, they get a 45 per cent equity stake in the reorganised airline when it comes out of bankruptcy.

● Unsecured creditors abandon around $1bn of claims against the carrier, but get the remaining 55 per cent of the shares. They also receive no cash payments on any reorganisation securities for a three-year period.

● Mr Icahn loses his equity interest in TWA, any management role, and abandons all claims against the airline, thus cancelling another $175m of unsecured claims. He, or one of the companies under his control, provides a $185.3m, two-year loan to the airline, earning 1 per cent over prime rate. This gives the airline the necessary funds to get through the dull winter travel period. Mr Icahn also guarantees a minimum sales price of $14.7m for Midcoast Aviation, a TWA subsidiary.

On the pension front, Mr Icahn will act as "sponsor" to the frozen plans and make annual payments – around $20m annually for four years – which allow the plans to meet minimum ongoing funding requirements. Mr Icahn can either find these sums from personal contributions or through better than anticipated returns on the pension investments.

● Finally, the PGBC gets some funding of the plans made up via a $300m note issued by TWA, to be secured on its international routes/Kansas City maintainence base.

This note bears interest at 11 per cent over a 15-year period. Mr Icahn then chips in on top.

Does this mean that a viable airline has been created?

TWA PROFITS ($m)

Year	Operating	Net*
1988	259.3	249.7
1989	24.3	(298.5)
1990	(162.3)	(237.6)
1991	(353.5)	48.3

*after interest and asset sales. Source: company figures

It is at least preferable to the carrier that went into bankruptcy.

First, the operational results should benefit from the labour concessions and, perhaps, the change in top-level management. The former took effect in October and were accompanied by a general downsizing at the airline.

TWA, for example, streamlined its domestic route structure, cutting out services to about eight cities; it eliminated a handful of international destinations; it reduced the number of operational aircraft; it pruned several thousand jobs and so on.

Second, with lenders set to forgive about two-thirds of the $1.8bn debt burden, the reorganised airline will carry a much-reduced financial burden.

TWA will also retain a fair number of international routes, notably to continental European destinations, plus its terminal and hub operation at New York's JFK airport. Some analysts still see the international routes as the more attractive side of the business, despite TWA's lack of domestic feed.

On the minus side, the fleet is old, the airline's reputation with the flying public sullied and the viability of the domestic operation has yet to be proved.

"There's a big challenge out there," says Avmark, the aviation consultancy – a fair summary of the general ambivalence towards the carrier's long-term prospects.

Increase in sales helps Heinz advance to $154m

By Nikki Tait

H. J. HEINZ, the food group based in Pittsburgh, yesterday reported after-tax profits of $154.2m in the three months to October 28 – the second quarter of its financial year.

The result compares with a $122.8m in the same period of 1991, and was scored on sales which rose from $1.59bn to $1.74bn.

Operating profits improved by 15 per cent, year-on-year, to $261.6m. At the earnings per share level, the result translates into 60 cents, compared with 46 cents a year ago.

Heinz said that the gains in sales and operating profits were due largely to an overall volume improvement of 7 per cent and to favourable exchange rate movements.

It added that the volume advance had come in all US affiliates and in certain overseas markets, including the UK. "Volume gains were noted in Weight Watchers brand food products, pet food, tuna, baby food, beans and ketchup," it said.

Mr Tony O'Reilly, chairman, claimed that some of the moves taken by the company in 1991, which included restructuring action designed to cut costs, lay behind the improvement.

"A record number of new products will be introduced this fiscal year with full marketing support," he added.

The company has been the target of criticism recently, with commentators questioning whether it can match its impressive performance during the 1980s, particularly since it is operating in some of the most competitive areas of the food industry.

Yesterday, however, the second-quarter figures helped the shares up $¾ to $43⅞.

After-tax profits for the first six months now stand at $398m, against $377.2m a year ago – although the 1991 figure included $221.4m from the sale of a subsidiary.

Kerkorian faces lawsuits over sale of MGM studio

By Alan Friedman in New York

CREDIT Lyonnais, the French state bank that controls MGM, the Hollywood studio, has filed a lawsuit seeking $500m from Mr Kirk Kerkorian, the former MGM owner, and several of his business associates.

MGM has filed a separate suit against Mr Kerkorian and his colleagues, seeking $750m of damages.

The legal actions, filed in Los Angeles, allege that Mr Kerkorian engaged in a scheme to deceive Crédit Lyonnais in order to facilitate his November 1990 sale of MGM to Mr Giancarlo Parretti, the controversial Italian financier who in turn was forced out of the studio last year by Crédit Lyonnais.

Mr Kerkorian is accused in the Crédit Lyonnais lawsuit of having conspired with Mr Parretti to conceal the fact that MGM had insufficient cash flow to finance its operations following the acquisition.

He and his colleagues are accused in the separate MGM action of having breached their fiduciary duties in relation to the cash flow analyses presented in 1990.

Lawyers for Mr Kerkorian termed the accusations "completely unfounded".

● Capital Cities/ABC, the US broadcasting and publishing group, was financially capable of and interested in making a significant acquisition costing as much as $8bn, Reuter reports from New York.

Mr Daniel Burke, chief executive officer, told an investors conference that the company was constantly looking for such a deal, but gave no indication whether a move was imminent.

Deere returns to the black but sees loss in next quarter

By Laurie Morse in Chicago

DEERE, the US farm equipment group, yesterday returned to profit in the fourth quarter and the year to end-October 1992, but forecast a loss for the first quarter of the coming financial year. The company cited weakness in the worldwide sales.

Fourth-quarter earnings were $4.2m, or 5 cents per share, compared with last year's loss of $81.5m, or $1.07 per share. Worldwide sales were virtually static at $1.9bn.

For the year, Deere reported a profit of $37.4m, or 49 cents per share, on sales of $6.96bn, compared with a loss of $20.2m, or 27 cents, on sales of $7.05bn in 1991.

Fourth-quarter results were boosted by a $20.7m reduction in inventories. In the same 1991 quarter, the inventory benefit to results was $65.0m.

Deere's credit, insurance, and health care subsidiaries posted strong sales and profit gains in the quarter. However, its core business of agricultural, industrial and lawn and grounds care equipment suffered.

The company's worldwide equipment operations posted a net loss of $33.7m in the quarter, compared with a deficit of $103.2m a year ago, which included a $120m restructuring charge.

With North American grain production expected to level off in 1993, and farm income projected to be flat, Mr Hans Becherer, chairman, said he expected North American retail sales of farm equipment to remain flat.

European agricultural equipment was expected to continue to decline, he said, because revisions to government agricultural policies would probably lead to reduced farm incomes and crop production in 1993.

"First-quarter 1993 production tonnage is expected to be approximately the same as in last year's depressed initial quarter," Mr Becherer said.

He added that several factories would be closed for one or two week periods, in addition to normal holiday shutdowns.

As a result, he said, Deere expected to incur a loss in the usually weak first quarter. Last year the company recorded a first-quarter loss of $19.9m.

Times Mirror sees difficult year

TIMES Mirror, the US publishing group, expects 1993 to be a difficult year. The group also expects to take special charges against fourth-quarter 1992 earnings, although it declined to detail them, Reuter reports from New York.

The company said it expected 1993 first-quarter earnings to be affected by several "serious impediments". Times Mirror earned 26 cents per share in the 1991 first quarter, before a non-recurring gain.

The fourth-quarter charges will include those for restructuring publisher Matthew Bender and adoption of an accounting change on post-retirement benefits.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 09.12.92: Pool purchase price £/MWh	Final Prices for Trading on 11.11.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.72	20.32	20.32
0100	22.92	23.52	25.46
0130	28.17	30.00	32.22
0200	28.17	30.00	32.16
0230	22.92	23.52	25.40
0300	22.92	23.52	25.41
0330	20.49	20.68	20.68
0400	18.43	20.32	20.32
0430	17.72	18.04	18.04
0500	18.16	18.04	18.04
0530	17.86	17.76	17.76
0600	17.72	18.89	18.89
0630	17.72	20.32	20.32
0700	23.03	23.23	25.14
0730	23.46	23.29	25.19
0800	26.87	23.29	25.17
0830	25.17	27.18	29.17
0900	26.87	27.58	29.58
0930	29.70	27.58	29.56
1000	29.70	27.59	29.55
1030	29.70	27.59	29.56
1100	26.87	27.59	29.56
1130	29.59	34.90	37.13
1200	28.87	34.90	37.11
1230	29.59	34.90	37.10
1300	26.87	34.89	37.12
1330	25.17	27.18	29.14
1400	20.72	27.18	29.15
1430	20.72	24.52	24.52
1500	20.82	27.18	29.16
1530	20.72	24.39	24.39
1600	26.37	27.08	29.08
1630	33.91	34.77	38.73
1700	39.47	53.41	59.56
1730	39.41	56.40	62.16
1800	33.47	50.20	55.08
1830	29.17	32.66	35.18
1900	27.95	29.13	31.11
1930	27.23	28.81	30.74
2000	26.87	27.77	29.89
2030	23.46	26.88	28.79
2100	23.46	23.29	25.11
2130	23.41	23.26	25.08
2200	23.31	23.23	25.06
2230	20.03	23.13	24.97
2300	18.13	20.68	20.68
2330	17.71	20.32	20.32
2400	17.71	18.35	18.35

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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S African mines in R3.5bn project

By Philip Gawith in Johannesburg

SOUTH Africa's two mining giants – Anglo American and Gencor – have confirmed that they will be proceeding with their R3.5bn ($1.1bn) joint venture stainless steel project.

It is the fourth large capital development to be announced by the two groups in the past two months. Construction of the plant, about 120km east of Johannesburg, will start in January.

The project – an expansion of the existing Columbus plant – is a joint venture between Anglo and Gencor and the Industrial Development Corporation (IDC) who will be equal one-third equity partners. It exemplifies the trend underway in South Africa to add value to mineral resources rather than export them in raw form.

Columbus has ready access to ferrochrome and nickel, the main ingredients of stainless steel. Not only does South Africa have most of the world's chrome ore reserves, but Columbus will also be able to source all its nickel requirements locally.

The expansion will quadruple South Africa's stainless steel capacity to 500,000 tonnes a year from the existing 125,000 tonnes.

It will turn South Africa into the world's sixth-largest stainless steel producing country.

Two factors made the project viable: the acquisition, in September 1991, by an Anglo-Gencor consortium of Middelburg Steel and Alloys (MS&A) plus tax allowances.

Mr Gilbertson declined to elaborate on the returns the project was expected to make.

The project should increase value-added to raw materials by 40 to 50 per cent.

It is expected to earn R16bn in foreign exchange in 1993 terms in the first 25 years of its life.

Present world demand for stainless steel is about 11m tonnes a year, with demand presently increasing at about 3.5 to 5 per cent a year.

Outcry over exchange expansion

CBOT plans to build a $150m trading facility, writes **Laurie Morse**

Computer trading may be where the future lies for financial markets in general, but North America's largest futures exchanges are all planning to expand their trading floors in 1993, sticking loyally to the open outcry system.

The Chicago Board of Trade, the world's largest futures exchange, jumped on the expansion bandwagon this month with a proposal to build a $150m trading facility immediately south of the exchange on LaSalle Street. The membership will vote on the plan on December 17.

The proposal comes as US financial futures products are under increasingly competitive assault by over-the-counter traders and overseas exchanges. Smaller CBOT member firms which are struggling financially have not received the proposal happily. The plan, to be financed in part by a four-year increase in trading fees, coincides with a controversial exchange-sponsored study that suggests declining profitability among brokers.

While exchange officials refuse to comment on the study, a Chicago newspaper last week reported that the analysis found that average annual income for the CBOT's soya bean futures traders dropped an inflation-adjusted 40 per cent between 1988 and 1991, and that even traders in the exchange's frenzied Treasury bond pit have seen income decline in recent years.

In a letter to members Mr Thomas Donovan, CBOT president, said the data in the newspaper report was preliminary and misleading. However, he failed to quell complaints by independent traders and small brokerage houses that they are losing money as business concentrates in fewer pits and the large investment houses.

The CBOT building project is aimed at relieving overcrowding on the exchange's financial futures trading floor. Despite the complaints, exchange volume has risen every year, thanks to the US Treasury bond and note pits, where trading space has long been inadequate. Bond and note brokers work in a stuffy, poorly-lit 19,000 sq ft space first designed for cash grain trading.

Thomas Donovan: failed to quell complaints of lost income

A proposal to move the financial futures trade across the hall and into the exchange's 35,000 sq ft state-of-the art trading floor was blocked by grain and soyabean futures traders, who have used the facility since it opened in 1984. In practice, agricultural members control the CBOT's politics, although they generate little more than 20 per cent of exchange volume.

Those same interests may veto the new building plan, although officials say it is essential to the CBOT's growth. While the CBOT and the rival Chicago Mercantile Exchange have invested heavily in Globex, the electronic after-hours trading system, Globex is not expected to replace immediately the trading floor. Launched in the summer, Globex has been troubled by software bugs and rarely records daily volumes above 3,000 contracts.

"All three exchanges (the CBOT, the CME and the New York Mercantile Exchange) have capacity problems, and one has to be prepared to expand the factory," says Mr Richard Sandor, one of the architects of the first CBOT financial futures contract, and now an executive managing director at Kidder Peabody in New York.

While electronic trading has become popular, particularly in Europe, Mr Sandor says: "These are long-tailed cycles... these things can co-exist side-by-side."

In the first 11 months of 1992, the CBOT traded 140.5m contracts, up 8.5 per cent over the same period in 1991. Of that total, 105.5m were financial futures and options, mostly Treasury bonds and notes.

The CME increased volume by 25.3 per cent over the same period with more than 68m contracts traded in the overcrowded Eurodollar futures and options pits. The Eurodollar derivatives are growing in excess of 64 per cent per year, thanks mostly to interest rate swap business.

The CME plans to move its Eurodollar and foreign currency futures and options pits to a new trading floor directly above its current floor next summer. It is engaged in a $26.6m outfitting which will equal the size of the CME's existing 35,000 sq ft floor.

The CME has out-grown its trading space four times in the past 20 years. Mr Jack Sander, CME chairman, said space on the existing floor freed by the move will be devoted to foreign and domestic stock index futures.

The CME expansion is being financed from existing resources and will not require increased clearing fees.

New York's Nymex has also taken a conservative approach to overcrowding, opting to lease, rather than build. Last month the exchange, which has a growing complex of energy futures products, announced it would move from its shared floor in the World Trade Center to a building in lower Manhattan. Plans for the space, which the Nymex will lease for 15 years, include a 25,000sq ft trading floor.

Nymex received a variety of tax breaks and incentives to take the site and does not expect to have to raise clearing fees to finance the move.

New York's three smaller commodity exchanges, the Coffee, Sugar and Cocoa Exchange, the New York Cotton Exchange and the Commodity Exchange, hope to start on a new building in lower Manhattan in mid-1993.

The exchanges are still negotiating financing on the $150m project, and expect to remain in the World Trade Center location they share with Nymex throughout next year.

INTERNATIONAL CAPITAL MARKETS

Treasuries steady in face of sporadic profit-taking

By Patrick Harverson in New York and Sara Webb in London

US TREASURY prices were little changed in light trading yesterday morning as market participants consolidated gains earned in the recent rally.

By midday, the benchmark 30-year government bond was unchanged at 102⅛ to yield

GOVERNMENT BONDS

7.446 per cent.

At the short end of the market, the two-year note was ⅛ firmer at 100⅛ to carry a yield of 4.591 per cent.

In the absence of new economic data, trading was subdued, although there was some sporadic profit-taking.

Prices have risen substantially in the past few days amid hopes that economic growth would be sufficient to dissuade president-elect Bill Clinton from over-stimulating the economy with an aggressive package of fiscal stimuli.

By yesterday, however, analysts felt that these hopes had been properly priced into the market, which has also already discounted this week's most important economic figures – the data on November producer and consumer prices, and retail sales.

■ UK government bonds closed higher, with long-dated issues benefiting from the current interest in lengthening trades.

In the cash market, the 9¾ per cent gilt due 2002 rose from 108⅞ to 108⅞ to yield 8.38 per cent as dealers noted some interest in switching into longer-dated issues.

At the short end of the market, the 10 per cent gilt due 1994 gained ⅛ of a point to end at 104⅞, yielding 6.87 per cent.

The recent spate of more optimistic economic data has dashed hopes of a cut in the base rate, encouraging interest in lengthening trades, dealers said.

However, volume remained thin, with only about 16,000 futures contracts traded.

■ MEDIUM and long-dated German government bonds closed higher yesterday, although dealers said that the short end of the market remained nervous about a possible rise in interest rates at the Bundesbank's repo operations.

The Liffe bund futures contract opened at 91.44 and traded up to a high of 91.67 before closing at 91.58.

However, volume in the market was relatively low at around 28,500 contracts.

The market will be watching today's allocation of 14-day securities repurchase agreements to see whether there is an increase in the minimum rate at which funds are allocated.

Dealers said there was some nervousness that the minimum rate may rise, especially as overnight money has edged up to 8.95-9.05 per cent, from 8.85-8.95 per cent on Monday.

The main focus for the market this week is tomorrow's meeting of the Bundesbank council, at which the central bank is expected to announce its money supply growth target for 1993.

Some economists have predicted that the Bundesbank will set a slightly higher money supply growth target for 1993 at the meeting, raising it from its present target range of 3.5-5.5 per cent to 4.0-6.0 per cent.

■ JAPANESE government bonds ended slightly weaker as money market interest rates edged up.

The yield on the benchmark No 145 opened at 4.585 per cent, moving to a high of 4.575 per cent before ending at 4.595 per cent.

The March bond future contract fell from 107.90 to close at 107.76.

The overnight call rate traded at 3⅞ per cent, compared with 3⅞ per cent on Monday.

Dealers said that the bond market was waiting for Friday's tankan report, the Bank of Japan's quarterly economic review, in the hope that the central bank would cut the official discount rate.

However, the announcement yesterday by several of the city banks that they will cut their short-term prime rates by a quarter of a point to 4.5 per cent, may reduce the chance of such a discount rate cut, dealers said.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.9838	+0.135	8.77	8.78	8.73
BELGIUM		8.750	06/02	104.7900	+0.020	8.00	8.07	8.35
CANADA *		8.500	04/02	103.5500	-0.100	7.95	8.18	7.38
DENMARK		9.000	11/00	99.5700	+0.286	9.07	8.93	9.50
FRANCE	BTAN	8.500	03/97	101.2363	-0.071	8.12	8.16	8.64
	OAT	8.500	11/02	101.6450	-0.050	8.25	8.24	8.48
GERMANY		8.000	07/02	103.9800	+0.110	7.40	7.39	7.43
ITALY		12.000	05/02	93.0250	-	13.761	13.59	14.57
JAPAN	No 119	4.800	06/99	101.6889	-0.118	4.47	4.51	4.72
	No 145	5.500	03/02	105.8199	-0.077	4.61	4.61	4.86
NETHERLANDS		8.250	06/02	105.0800	+0.140	7.48	7.51	7.71
SPAIN		10.300	06/02	86.9500	-9.650	12.71	12.70	13.21
UK GILTS		10.000	11/96	108-23	+3/32	7.39	7.54	8.36
		8.750	08/02	106-30	+6/32	8.38	8.51	8.88
		9.000	10/08	102-21	+14/32	8.68	8.84	9.23
US TREASURY *		6.375	08/02	97-06	+3/32	6.78	6.93	6.58
		7.625	11/22	102-01	-2/32	7.45	7.56	7.38
ECU (French Govt)		8.500	03/02	97.5350	-0.465	8.90	8.84	9.28

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT FIXED INTEREST INDICES

	Dec 8	Dec 7	Dec 4	Dec 3	Dec 2	Year ago	High *	Low *
Govt.Secs.(UK)	93.57	93.45	93.63	93.26	92.81	86.65	95.54	85.11
Fixed Interest	108.79	108.50	108.37	108.06	108.04	96.67	110.25	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Dec 7	Dec 4	Dec 3	Dec 2	Dec 1
Gilt Edged Bargains	119.1	130.6	128.3	131.3	158.5
5-Day average	133.6	140.8	140.6	141.6	146.6

* SE activity indices rebased 1974

Moody's downgrades not a major obstacle, say UK insurers

By Brian Bollen

THE downgrading of financial strength and debt ratings of Sun Alliance and Eagle Star by Moody's Investors Service, the US agency, is being seen as something of an irritation by the UK insurance industry.

The reaction from the companies and some of their competitors was that the move, which largely reflects concern about exposure to UK domestic mortgage indemnity risk, is not a major obstacle to tapping capital markets.

"The economic environment seems to be improving," said Mr Peter Fiddimore, responsible for corporate treasury at Sun Alliance. Being put on review in the first place pushed up commercial paper borrowing costs by up to 25 basis points, he said.

Moody's acknowledges that if there are no further adverse developments in the UK housing sector or large claims caused by terrorism or storms, the fortunes of UK composite insurers could be at a turning point as premium rates harden and interest rates fall.

Moody's downgraded to A3 from A1 the senior debt ratings of the Sun Alliance group holding company and the financial strength rating of the main operating company to Aa3 from Aa2, while Eagle Star Insurance's financial strength rating was lowed to A2 from A1. Royal Insurance's financial strength rating was confirmed at A3. Between them, the three groups have an estimated 60 to 65 per cent of the domestic mortgage indemnity market.

"The fact that the downward ratings changes are so small compared with the mortgage indemnity crisis indicates there are compensating comforts from other factors," said Mr David Anthony, a senior analyst at Moody's.

"Everybody is at least guardedly optimistic that 1993 could be a good year for the UK composite sector," he added.

US pension funds to invest in Poland

A NUMBER of US company pension funds are to take part in a $150m private investment fund for Poland, the largest so far devoted to that country, writes Christopher Bobinski in Warsaw. The Polish Private Equity Fund has been fully subscribed, with one-third of the financing coming from the European Bank for Reconstruction and Development.

Another $50m is being provided by the Polish-American Enterprise Fund (PAEF), charged by the US Congress with investing $240m of US public money in Poland's private sector. Creditanstalt, of Austria, has provided $7m, with the balance made up by other pension funds, including that of General Electric.

The assets of both the Polish Private Equity Fund and the PAEF will be managed by a new company, Enterprise Investors, composed of the PAEF's staff.

Firm demand for $2bn Citicorp offering

By Tracy Corrigan

CITICORP'S $2bn global offering of credit card backed securities, launched yesterday for pricing today, met firm demand from investors in both the US and Europe.

INTERNATIONAL BONDS

The offering, consisting of $1bn of two-year notes and $1bn of five-year notes, is backed by Citicorp credit card receivables.

The indicated pricing is 17 to 20 basis points over the London interbank offered rate for the two-year notes, arranged by Citibank, and 30 to 32 basis points over Libor for the five-year notes, arranged by Salomon Brothers.

The notes will be priced tomorrow at par or slightly below.

Both two-year and five-year notes were issued in conjunction with junior tranches of notes arranged by J.P. Morgan.

Dealers said that demand for the two-year notes had been particularly strong in the US, where the large money funds provide a ready investor base.

"Most of the US funds are able to go out as far as two years, and are prepared to do so when the yield is high enough," said one trader, who added that the same sort of investor base did not exist in Europe.

Citicorp has already launched an issue of floating-rate notes backed by credit card receivables, earlier this year.

The deal completes Citicorp's $5bn securitisation programme this year. The company expects to have a $5-6bn borrowing programme again next year, an official said.

● Exportfinans, the Norwegian export lending agency, plans to use a novel structure which will allow it to add to its Tier 1 capital.

The agency has filed a proposed public offering with the Securities and Exchange Commission in the US for a $100m issue of preferred capital securities.

The structure, which has not been used before, was developed by Goldman Sachs.

The concept is similar to preferred stock, expect that legally the securities are not shares. Nevertheless, the Norwegian regulatory authorities have approved the securities as Tier 1 capital.

The securities will be denominated in dollars and will entitle holders to receive fixed-rate quarterly interest payments, subject to certain conditions.

The subordinated debt will be undated, but Exportfinans will have the right to redeem the securities at par after 10 years, subject to regulatory approval.

Other Norwegian borrowers might be able to use the same type of instrument, but borrowers from other countries would need to convince their regulators to approve the structure as Tier 1 capital.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
YEN						
Glory	10bn	5.6	101	2000	1⅞/1⅛%	Yamaichi Intl.(Europe)
SWISS FRANCS						
European Inv.Bank(a)	150	6	102	1998	-	Swiss Volksbank

Final terms and non-callable. a) Issue launched on 12/11/92 has been increased to SFr500m.

Indian unrest leads Hindalco to delay issue

By Sara Webb

HINDALCO, the Indian aluminium producer, has postponed the launch of its planned $100m international equity offering because of the unrest in India.

Robert Fleming, lead manager for Hindalco's global depositary share (GDS) offering, said the issue would take place "as soon as the market is ready".

The Bombay stock exchange was closed on Monday and yesterday after the destruction of the mosque at Ayodhya by Hindu militants sparked a wave of violence across the country.

Grasim Industries, the Indian cement, textiles and fibre manufacturer, has completed its recent $90m GDS offering, although Citicorp, one of the joint lead managers, said it was too early to say whether the issue would be extended.

European alliance of four banks disbanded

By Haig Simonian in Milan

EUROPARTNERS, the alliance formed more than 20 years ago between four leading European banks, has agreed to disband, marking a further erosion of the once-popular banking partnerships of the 1970s.

At a meeting in Rome this week, the heads of Banca di Roma, Commerzbank, Crédit Lyonnais and Banco Central Hispano-Americano decided their loose union – whose ambitions once included operating joint branches in third countries – no longer fitted in with the liberalised European market.

Almost the only remaining tangible sign of the alliance, one of a number of loose partnerships between European banks, is the cross-equity stakes between Commerzbank and Banco Hispano-Americano.

Attempts between the partners, notably Commerzbank, to develop closer ties foundered on a mixture of growing competition between the members and confused national banking policies.

Matters were not helped by the fact that two of the Europartners were from the private sector and the other pair state-owned.

However, it was the steady integration of European finance which hammered the final nail into Europartners' coffin. Though originally formed on the understanding that no member would do business independently on another's territory, that principle was eventually watered down to cover only retail banking.

In the end, even that proved too much in an increasingly competitive European banking market as national borders crumbled and Crédit Lyonnais, in particular, pursued an aggressive policy to build up an acquisition-based retail banking presence in Italy and now Germany.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7.05 pm on December 8

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	39	31	10
Other Fixed Interest	12	1	2
Commercial, Industrial	296	229	893
Financial & Property	88	131	582
Oil & Gas	10	25	50
Plantations	0	0	9
Mines	16	38	88
Others	20	64	32
Totals	481	519	1,666

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

... preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Dec. 7
- Last Dealings Dec. 18
- Last Declarations March 11
- For settlement March 22

3-month call rate indications are shown in Saturday editions. Calls in ASDA, Blue Circle, Cannon Street Invs., Proteus Intl. and Tadpole Technology. Put in Enterprise Oil.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

Cuts help raise Siebe by 6.8%

By Andrew Bolger

COST-CUTTING helped Siebe, the UK-based international engineering systems and controls group, increase interim pre-tax profits in spite of lower sales.

Turnover fell by 6.8 per cent to £757.3m in the six months to September 30, but the pre-tax profits were 6.8 per cent higher at £80.3m (£75.2m).

Mr Barrie Stephens, chairman, said there were glimmers of recovery in the US – particularly in consumer-related goods – but this would be partly offset by signs of a slow-down in Germany and Japan.

The group had achieved higher margins by better cash management, tight control of working capital and staff reductions, mainly in the US.

A total of 1,200 jobs were shed during the six months, bringing the group's total workforce down to 31,000, compared with 38,000 three years ago.

More than 90 per cent of Siebe's sales go outside the UK, with the US accounting for about 45 per cent. Had these results been translated at last year's exchange rates, the sales figure would have been £30.9m higher and the pre-tax profits figure up £2.7m.

Siebe welcomed the recent devaluation of sterling and said it was likely to reverse the first half's adverse translation effect, assuming that the pound stayed at its present level.

Mr Stephens said the group had completed the integration of Foxboro, the US industrial controls group which it bought for $650m in 1990, and was now on the look-out for further acquisition opportunities.

Net cash flow was £34.2m (£36.3m) and net indebtedness was £490m, giving gearing of 68.7 per cent, compared with 88.4 per cent last year. The group said it was on target to reduce the gearing figure to the mid-50s by next year.

Mr Stephens said the group spent the equivalent of 4.1 per cent of sales on research and development, of which it capitalised £14m during the half-year.

Siebe's tax rate was 41.9 per cent (41.4 per cent). It included a write-off of £700,000 on unrelieved advance corporation tax, down from £2m thanks to increased repatriation of royalties.

Earnings per share rose by 5.4 per cent to 11.7p (11.1p) and the dividend is increased by 10 per cent to 3.3275p (3.025p).

See Lex

BA bid for 25% of Qantas expected today

By Paul Betts, Aerospace Correspondent

BRITISH AIRWAYS is today expected to make a bid for a 25 per cent stake in Qantas, the Australian national carrier due to be privatised next year.

The BA board met yesterday and is understood to have agreed the bid. A formal notification will be made today, the Australian government's deadline for bids from foreign airlines for a stake in Qantas.

BA is expected to face stiff competition from Singapore Airlines and Air New Zealand.

Under the Australian government's rules, the maximum stake a foreign carrier can acquire is 25 per cent, thought to be worth between A$600m and A$750m (£340m) depending on the Australian government's decision on how much it is prepared to recapitalise the airline before privatisation.

Sir Colin Marshall, BA's chief executive and deputy chairman, said yesterday that a partnership between the UK carrier and Qantas would make "a very good fit".

Qantas would give BA a much stronger presence in the Asia-Pacific market which continues to show the fastest growth of any aviation market.

Sir Colin sought to dampen Australian fears that BA was seeking to take control of Qantas.

"There seems to be a misconception in Australia that our only interest is in taking over Qantas. It isn't. Qantas will remain an Australian airline under Australian control."

● The US government is expected to make a decision by Christmas on BA's proposed acquisition of a 44 per cent stake in USAir for $750m (£493m). Sir Colin said USAir had called an extraordinary meeting on December 18 to approve the partnership.

The deal continues to face fierce opposition from the big three US airlines, American Airlines, United Airlines and Delta Air Lines.

Tomkins likely to have no net debt after RHM buy

By Richard Gourlay

TOMKINS, the conglomerate, is likely to end up with no net debt after its £935m acquisition of Ranks Hovis McDougall, the milling, baking and grocery products company, according to the company's advisers.

Costs relating to the likely closure of a number of bakeries will, however, leave the group with some net gearing. Before its move on RHM, Tomkins had net cash of about £150m.

Tomkins said yesterday that as of Monday it had received valid acceptances representing about 61.97 per cent of the RHM ordinary shares. The company had also bought 22 per cent of the shares for cash during the offer period.

RHM shareholders representing some 44 per cent of acceptances opted for Tomkins cash alternative to the ordinary offer. Some 37 per cent elected for the all share offer while 18 per cent accepted the ordinary offer which involved a split of cash and shares.

The advisers said the pattern of acceptances had left Tomkins "broadly neutral" with no cash or net debt and in line with what it was hoping for at the outset of the bid.

Yesterday's announcement suggested shareholders have cast aside their immediate worries about the bid. Early in the bid, concern that Tomkins had bitten off more than it could chew had helped push the shares close to the 200p price of the rights issue that is partly financing the deal.

Yesterday, however, Tomkins shares responded to the level of acceptances by jumping 7½p to 238½p. This was some 10p above the price at which Tomkins' share offers was worth more than the cash alternative.

BZW, the company's advisers, said it had sent notice of the second instalment of the rights issue to Tomkins shareholders.

Tomkins is unlikely to make any early statement on the number of RHM's bakeries it is likely to close or the level of related acquisition provisions.

Mansfield Brewery up to £6.7m

MANSFIELD Brewery, the Yorkshire and east Midlands brewer, lifted pre-tax profits from £6.36m to £6.67m in the 26 weeks to September 26.

Group turnover edged ahead to £60.8m (£59m). Mr Joss Nangle, acting chairman since the death of Mr Geoffrey Kent in September, said that sales volumes of draught beers advanced by 4.3 per cent against an estimated regional decline of 3.5 per cent.

The success with draught sales, along with "continued strong control over costs" resulted in trading profits up 13 per cent at £6.65m. This was struck after a £900,000 provision for bad and doubtful debts in the free trade.

Earnings per share inched up to 28.8p (28.4p) and the interim dividend is lifted 10 per cent to 4.4p (4p).

Eurocopy falls 76% to £1.7m

By Peggy Hollinger

PRE-TAX PROFITS at Eurocopy fell 76 per cent to £1.7m in the year to end-September, as the office equipment distributor struggled to repair the damage resulting from adverse publicity over sales practices at a Scottish subsidiary.

For the first four months Eurocopy had been under investigation by the Office of Fair Trading – it was eventually cleared – and the remaining eight months were "perhaps the worst in living memory," Mr Michael Armitage, finance director, said.

Efforts to rebuild sales, which melted largely due to the inquiry, had been thwarted by recession. Turnover for the 12 months to September 30 declined by 23 per cent to £34.2m.

Hardest hit had been the machine sales division, which accounted for some £5m of the decline in group turnover. This business incurred a loss of £4.5m.

The group's struggling furniture business suffered a loss of £1m during the year. Eurocopy is reviewing several options for this operation and a decision is expected soon.

Eurocopy's servicing operations suffered from a decline in copy volumes.

The company had taken action to cut costs, including a 19 per cent reduction in employee numbers. It was estimated that annual savings would be about £1m.

The dividend was cut by 2.4p to 0.5p for a total of 1.6p (4p). Earnings per share tumbled from 9.49p to 2.32p.

● **COMMENT**

Eurocopy has truly had an "annus horribilis". Yet with this set of results, one might hope that things can only get better. Still, it will be a long, hard slog to rebuild business, particularly in Scotland where the losses ran to £1m. This is a group which truly needs economic recovery. Short of that, Eurocopy should benefit from cost cutting. Analysts are forecasting about £2.5m for this year, based on flat servicing profits and reduced losses in machine sales. If the company does something about the furniture division, then profits could be as much as £500,000 better. The prospective p/e of 11 leaves the shares fairly valued in the short-term. However, economic recovery could change the whole ballgame on a longer-term basis.

Ossory £41.6m in the red

By Vanessa Houlder, Property Correspondent

OSSORY Estates, the property group, yesterday announced pre-tax losses of £41.6m for the year ended June 30 after heavy write-downs of its property portfolio.

The company's accounts have been qualified because it is in talks with its banks following the breach of its banking covenants. "Whilst the accounts have been prepared on a going concern basis, such a basis will be valid only if agreement with the group's banks is forthcoming and if sufficient working capital is raised from property disposals," the company said.

Ossory said it was hopeful that an agreement would be reached with the banks and it anticipated writing to shareholders shortly.

The company described its results as "a very serious setback". It blamed its difficulties on excessive borrowing, speculative development, cost overruns and a level of overheads that was inconsistent with the size of the company.

"The board takes no consolation from the general problems in the property sector and it is not content to await an economic recovery for a revival of the group's fortunes," it said.

The company said it intended to maintain stringent controls over overheads and to address the anomalies of yield, location and quality in the property portfolio. It made sales of £41.1m during the last financial year.

The board underwent substantial changes during the year including the resignation of Mr Brett Allen and Mr Joseph Shaoul, joint managing directors. The company said it intended to strengthen the board of directors and the company's management within the agreed overhead targets, as soon as practicable.

The provisions stemmed from a £11.1m write-down against investment properties, a £15.4m write-down against development properties and £16.1m write-down against interests in associated undertakings, investments and debtors. There was also a £4.6m write-down against the revaluation reserve.

Net assets per share fell from 79.41p to 19.32p. There were losses per share of 53.15p, compared with earnings per share of 5.15p. No final dividend is proposed.

OIS returning to market with £15m tag

By Matthew Curtin

OIS International Inspection, the technical inspection services group, is seeking a £15m listing on the Stock Exchange because its owner, Adia – the troubled Swiss employment group – is continuing to dispose of non-core interests.

The listing, scheduled for December 22 with the placing of 30m shares of 50p each, effectively marks the return of OIS to the Stock Exchange after a five-year absence.

In 1988, the group was taken over by a consortium led by Mr Paul Bristol, who changed its name to Brompton Holdings, then listed it on the USM.

Brompton had a chequered career and was bought by Adia for £11.7m in June 1989.

Mr Malcolm Russell, managing director of OIS, said yesterday the listing was prompted by the changing focus at Adia, but the group was in a good position to go public.

OIS had a wide operational base, selling its services to the construction, oil, transport and power generation industries, with customers such as Shell and British Gas. The business was driven by regulatory requirements for non-destructive testing – using ultrasonics and radiography – of installations for safety, quality and environmental purposes.

Turnover improved from £27m in 1989 to more than £40m, of which 40 per cent came from the Middle East, the Far East and Africa.

Tribune in I£2m loss

Tribune Group, the Irish newspaper company, reported a pre-tax deficit of I£2.03m (£2.15m) for the 15 months to July 1. That compared with losses of I£2.34m for the year to end-March 1991.

The board intends to eliminate the group's two-tier structure by making the publications side a wholly owned subsidiary of the newspapers arm.

Bogod little changed

Profits of Bogod Group, a seller of sewing machines and parts, were little changed at £105,000 pre-tax for the six months ended September 30.

The figure, which compared with £102,000 previously, was scored from a turnover marginally lower at £2.52m (£2.66m). The interim dividend on the A shares is held at 0.2p from earnings of 1.22p (1.19p).

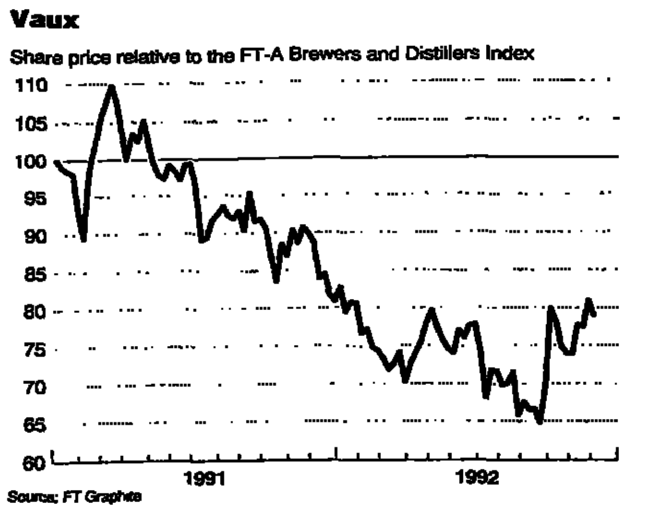
Correction
FT-SE SmallCap index

Monday's table of FT-SE SmallCap index constituents incorrectly included Manchester Ship Canal, Fleming International High Income Investment Trust and London & St Lawrence Investment as constituents of the FT-Actuaries All-Share index from December 31 1992. In fact, these three companies do not meet the eligibility requirements.

Other constituents listed in the table are correct, except that Taunton Cider was incorrectly listed as Thornton Cider. Leeds Group and Telemetrix were marked as new entrants; in fact, they are already constituents. We apologise for these errors.

Capital spending cuts Vaux to £31m

By Philip Rawstorne



Source: FT Graphite

VAUX GROUP, Sunderland-based regional brewer and hotels and nursing homes operator, held its final dividend at 6.1p in spite of a 10 per cent fall in pre-tax profits from £34.3m to £30.9m.

Results for the 53 weeks to October 3 were depressed by a £4.65m increase in interest charges after heavy capital spending on hotels and pubs.

Spending amounted to £76m – £35m on the acquisition of 270 pubs, £15m on the completion of new hotels at Bristol and Bexley, £17m on refurbishment and £8m on the breweries.

During the year the group raised £20m from the sale of the Blayneys off-licence chain, £20m from the issue of debenture stock and £10m from a hotel sale and leaseback.

Trading profits rose 10.9 per cent to £39.5m (£35.6m) on turnover 7.5 per cent lower at £247m (£267m).

Earnings per share declined 6.3 per cent from 20.31p to 19.04p.

The total distribution of 9.35p compares with 9.2p last year.

Acquisitions contributed to a 27 per cent increase in profits from Vaux and Wards breweries and the tenanted pub estate to £19.5m (£15.3m). Turnover improved by £10m to £98.3m.

The group has bought 448 pubs since 1989 and has "substantially strengthened" its regional position in the north of England, said Mr Paul Nicholson, chairman.

Vaux Inns, taking in the group's 127 managed houses, achieved a 2 per cent growth in profits, from £4.65m to £4.74m, on turnover ahead 10.6 per cent at £36.6m.

Volume sales through the group's own pubs rose 10.5 per cent – but would have declined 5 per cent if thenew pubs were excluded. Free trade volumes were slightly higher.

Profits from St Andrews nursing homes rose 26 per cent from £3.24m to £4.09m and five new homes are planned during the next 18 months.

The recession remained a drag on hotel profits which increased less than 1 per cent to £12.5m (£12.4m) on turnover up 10.7 per cent to £77.9m.

Borrowings increased from £101m to £122m and gearing increased from 20.8 per cent to 32.4 per cent.

● COMMENT

Vaux was a bit unlucky to choose 1987 to launch a five-year plan for its hotels development. It has spent £178m – and ended in a recession with its properties devalued by a third and half the profits it forecast. The last two hotels to be completed, at Bristol and Bexley, cost £58m and contributed £600,000 in operating profits last year. Having taken another £1m costs out of the operations, there is not much else to be done except pray for a speedy end to the recession. A deal of consolation, in the meantime, is provided by the rapid payback from strengthening the pub estate with acquisitions in northern England and by the improving prospects for the group's nursing homes. Analysts forecast profits of between £26m and £27m clean of property next year, and on a prospective p/e of 13.5 times rate the stock undervalued on the group's recovery potential.

London & Provincial Shop faces receiver

By Vanessa Houlder, Property Correspondent

London & Provincial Shop, a subsidiary of Randsworth Acquisition, said it could go into receivership within a fortnight, unless a dispute over an alleged breach of covenant is resolved.

The dispute concerns a £1.4m sale in 1990 of a property that was subject to a first charge as security for debenture stock.

The failure to execute a formal release from this charge was seen as a breach of covenant by the Law Debenture Trust Corporation, the trustee of the debenture stock.

Late on Friday, Law Debenture served a formal notice on the company requiring it to make good the alleged breach of covenant.

If their claim is substantiated, they are entitled to appoint a receiver.

London & Provincial Shop said it did not believe there had been a breach of covenant.

"The directors remain satisfied that at all times the company has acted, both in relation to this matter and generally, in accordance with the terms of the Debenture Trust Deed," it said.

Citizens Financial strongly ahead

Citizens Financial, the US subsidiary of the Royal Bank of Scotland, reported net income of \$17.54m (£11.5m) for the year ended September 30. That compared with \$8.88m returned for the preceding 12 months.

Tangible capital ratio was 7.18 per cent, more than double the federal 3 per cent minimum requirement. At the year-end, Citizens' total risk-based capital ratio was 12.43 per cent – well in excess of the federal minimum standard of 7.25 per cent.

Total assets at September 30 were \$4.44bn.

Ewart gets go-ahead for Laganbank project

By Tim Coone in Dublin

SOME £20m in government finance for the Laganbank property development project in Belfast was approved yesterday, giving the go-ahead to Ewart, the project's lead developer, to begin contracting for an estimated £110m in construction work.

Mr Barry Gilligan, managing director of the Belfast-based company said: "This is excellent news for Ewart ... the government has quite rightly recognised the importance of this huge capital investment to the long term future of the Northern Ireland economy."

The development is the centrepiece of the government's Laganside development plan and will include a new concert hall to be financed by the Belfast City Council, a 200-bedroom hotel, 400,000 sq ft of office space as well as retail space and car parking. The complex will be located near the Belfast City Hall.

Last month, Monarch Properties, the private property developer based in Dublin, sold its 29.2 per stake in Ewart for 80p per share, having failed in its attempt to take control of the board.

Whitecroft £0.73m loss better than expected

By Ian Hamilton Fazey, Northern Correspondent

WHITECROFT, the Cheshire mini-conglomerate which has slimmed down to three core businesses, reported a pre-tax loss of £727,000 for the half year to September 30, compared with profits of £2.23m.

That was better than expected, but the company is sticking to its decision to pass its interim dividend, announced a few days before the end of the period, when it forecast losses of about £1m. A decision on the final dividend will be taken in June.

The improvement over forecast was the result of revaluation of Whitecroft's pension fund, which actuaries said would be adequately funded at company contributions of £600,000 a year, compared with £1.3m previously.

The figure was struck after interest charges of £1.63m (£164,000). In previous years these were largely charged against property development and did not appear in the profit and loss account.

Turnover fell 4.6 per cent to £60.19m (£63.1m) for trading profits down 62 per cent to £904,000 (£2.39m).

Mr Peter Goold, chairman, said the group's two years of restructuring were now largely complete, with £3.6m of capital spending in the last six months, substantial cutting of the cost base and a reduction in numbers of operating units from 30 to 15. Losses per share were 2.89p, compared with earnings of 3.25p.

The payroll was 1,900, compared with 2,500 a year ago and more than 3,000 when Mr Goold became chairman late in 1990. He said marked improvements in cash flow and profitability were expected from January.

Gearing is 102 per cent and shareholders' funds declined £6.5m to £38.6m because of the loss and disposal of the group's double-glazing businesses.

Whitecroft now has lighting, doors and medical cotton fibres divisions, all of which are trading profitably.

Sage maintains growth record with 33% advance

By Alan Cane

SAGE GROUP, a Newcastle-based supplier of accounting software and stationery, finished the year slightly ahead of analysts' expectations, recording profits before tax of £8.85m, up 33 per cent on last year's £6.64m.

Sage has now shown significant growth in revenues and pre-tax profits each year since 1988.

The share price yesterday improved 21p to 455p.

The company also announced the acquisition of Yorkshire Business Forms for an initial £1.05m, made up of £525,000 cash and a similar sum in new ordinary shares.

Additional payments to a maximum of £2.95m will be paid over two years dependant on net profits in the period. Up to half the deferred payment may be made in shares.

Turnover rose 36 per cent to £27.3m (£20m) in the year ended September 30, of which £11.1m came from US operations.

Earnings per share rose 21 per cent to 30.9p (25.5p) and the total dividend is raised 12 per cent to 9.02p (8.05p) via a final of 6p.

Cash balances rose sharply to close at £7.2m (£1.2m) but have now been reduced by the purchase of Remote Control International in California, Ciel in France and Yorkshire Business Forms. The company remains strongly cash-generative.

During the year Sage decided to discontinue MainLan, its US operation which specialises in networking software – losses amounted to £400,000 of which £250,000 were closure costs. Sage will continue to market MainLan in the UK where it has proved successful.

DacEasy, a US accounting software company acquired two years ago, seems to be proving its worth with operating profits of £2.2m on sales of £10.2m.

● COMMENT

Sage's strength and the secret of its ability to generate cash is its extensive customer list in the US and UK. It makes what it terms "annuity" sales to these customers – upgrades and new versions of software packages and stationary. Abandoning the MainLan disaster in the US has removed one of the few downsides to Sage's progress. Others are a risk of a decline in UK packaged software prices to US levels and an over-ambitious acquisition strategy. Sage's management, however, has to date proved level headed – DacEasy, for example, is beginning to deliver its full potential. A rash of new products suggests that analysts' expectations of £10.9m pre-tax for 1993, giving an undemanding prospective p/e of about 12, will not be disappointed.

Butte accounts not ready for 1992 AGM

By Kenneth Gooding, Mining Correspondent

BUTTE MINING, which is claiming damages of \$325m (£214m) in the US against more than 70 former advisers, directors and investors, has told shareholders its accounts for the year to end-June will not be ready until next month but the Companies Act requires it to hold an annual meeting in 1992.

Consequently, the company has arranged its meeting for December 29, to be followed by an extraordinary meeting early next year to receive and adopt the accounts.

Mr David Lloyd-Jacob, chairman, said that Ernst & Young, formerly Butte's auditors, resigned after being named as defendants in the US law suit and have been replaced by Arthur Andersen.

Substantial new work on the accounts was being carried out and it had not proved possible to prepare them in time for this year's annual meeting.

NEWS DIGEST

Turnround at Campbell & Armstrong

CAMPBELL & Armstrong, the shop and office fitting group, swung from losses of £849,000 to profits of £30,000 pre-tax for the six months ended September 30.

Turnover slipped to £25.5m (£31.3m) reflecting a "more prudent approach to tendering" as overall margins remained under pressure.

There was an improvement in the core shop-fitting activities although the construction-related operations continued to face challenging conditions.

In view of the difficult prevailing trading environment the interim dividend is omitted – 1p was paid last time. Declaration of a final will depend on second half trading.

Earnings per share of 0.4p compared with previous losses of 4.5p. Extraordinary charges of £1.23m were connected to discontinued businesses, including a significant write-down of related property.

The shares closed 3p higher at 17p.

Recovery under way at Atkins

Atkins Group, the Leicestershire-based textile company, returned to the black in its seasonally unfavourable first half.

Despite "extremely difficult general economic conditions" turnover for the six months to September 30 improved slightly to £7.69m and pre-tax profits amounted to £16,000, against losses of £268,000 last time restated to allow for new accounting standards.

Mr David Haggett, the retiring non-executive chairman, said: "With operating profits up, stable gross margins and overheads down, there is clear evidence that the significant changes carried out during the last two years are yielding results." The improved performance should continue in the second half, he added.

The interim dividend is maintained at 3.6p, again uncovered by earnings of 0.33p (losses of 4.23p) per share.

Avesco back in the black with £23,000

Avesco, the radio and electronic goods and television and film services company, reported a pre-tax profit of £23,000 for the half year to September 30.

This compares with a profit of £147,000 last time but marked a turnround from losses of £2.26m for the 1992 year.

Mr Richard Murray, chairman, said that profits for the first six months would have been substantially higher but for the increase in research and development expenditure at VideoLogic.

Turnover expanded by £1.6m to £11.2m. Finance costs rose to £308,000 (£269,000) and after tax of £8,000 (£49,000) earnings came out at 0.025p (0.164p).

The interim dividend is passed (0.5p).

Chiltern Radio £392,000 in red

For the period to September 30, Chiltern Radio reported its first full-year loss since it began broadcasting in 1981 after what Mr Peter Burton, chairman, described as another difficult year for the industry.

He added that the company had been trading profitably in the present year.

On turnover of £5.27m (£4.38m), which included a full-year contribution from the west of England acquisitions, the pre-tax loss was £392,000, compared with a profit of £114,000. There was a £77,000 exceptional provision against its investment in Independent Radio News.

Losses per share were 4.6p (1.5p earnings) and the final, like the interim, is passed. Last year's total was 2p.

Umeco declines to £53,000

Profits of Umeco fell from £68,000 to £53,000 pre-tax for the 28 weeks ended September 26. Turnover of £5.56m compared with £5.42m.

Earnings slipped to 0.6p (0.8p) but the interim dividend is maintained at 0.75p "in view of the strong balance sheet and the underlying strength of the company", the directors said.

The USM-quoted company is a maker of aircraft refuellers and a distributor of seals, sealants and components primarily serving the aerospace industry.

Safeland 'pleased' with fall to £36,000

In bleak conditions Mr Raymond Lipman, chairman of Safeland, the property company, said he was pleased with a profit of £36,000 for the six months to September 30. The figure compared with £81,000 last time.

Turnover increased from £3.26m to £5.99m. This signified an increase in the size of transactions rather than in number. Mr Lipman said the company was still being very selective in the projects it undertook.

Earnings per share were 0.13p (0.28p) and the dividend is reduced to 0.06p (0.14p).

M&G Second Dual net assets rise 12%

Net asset value per capital share of M&G Second Dual Trust at November 30 was 452.77p, up 12 per cent on the previous 405.45p.

The split capital trust declared an unchanged interim dividend of 13.19p per income share for the half year to November 30 and forecast a final of at least 10.67p for the year to May 31 1993.

Electricity group opposes one-year, coal-fired power deal

East Midlands advances 23%

By Michael Smith

EAST MIDLANDS Electricity yesterday reported a 23 per cent rise in pre-tax profits to £30.3m for the six months ended September 30.

At the same time East Midlands voiced opposition to a one-year, coal-fired power deal between electricity generators and the regional companies.

Mr John Harris, chairman of the company, which is leading heads of agreement talks with PowerGen and National Power, said he preferred five-year contracts because they would provide more stability for the coal and electricity industries.

A one-year deal would not provide assurances of falling prices in later years as would a five-year agreement.

Mr Harris's comments follow suggestions by Mr Michael Heseltine, the president of the Board of Trade, that a one-year deal could be concluded, although he also said any review should not prejudice the outcome of the white paper.

Mr Harris also said he was opposed to postponing the liberalisation of the electricity market from 1994 if that led to higher prices for customers.

Turnover for the opening half year rose to £681.5m (£658.1m). The interim dividend is stepped up to 5.72p, a 12 per cent increase on last time's 5.1p. Earnings per share emerged at 10.1p (8.2p).

Losses in the supply business were reduced from £35m to £20m, in part because of the recovery of uplift charges from last year but also as a result of customers taking contracts with a smaller price difference between winter and summer.

Distribution profits, made on steady volumes, were down £4m to £60m and retail, which is being restructured as a result of the joint venture with Yorkshire Electricity, lost £600,000, against a £600,000 profit in the comparable period a year earlier.

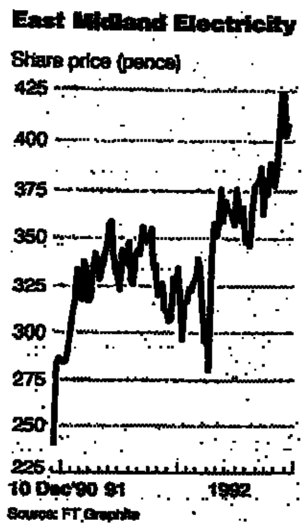
Mr Harris said retailing was profitable in the second quarter, however, and that there would be a small operating profit in the full year.

Six small shops are to be closed by next March leaving 65.

Contracting would incur a loss this year although in line with other recs East Midlands would soon feel the benefit of changed terms and conditions of contracting employees, the numbers of which have been reduced from 800 to 600.

● COMMENT

The beauty of electricity for investors is that it combines safety with a strong dividend flow. The market's perception of East Midlands is that it is less safe than other recs and as a result the dividend yield is among highest in the sector. The company concerns critics through its individualistic stance. Mr Harris's propensity to stand up and be counted, as demonstrated by his comments on the one-year deal yesterday, matter less than the declared aim of seeking 30 per cent of profits outside of the regulated business by the year 2000 and the possibility that it will participate, albeit in a small way, with the Union of Democratic Workers in a bid for a part of British Coal. There appears little wrong with the non-core business but until it performs outstandingly East Midlands' shares, on a prospective yield of 6.3 per cent assuming a full year dividend of 19.15p, will struggle to catch up with other recs.



John Harris: more stability with five-year contracts

Emess to sell Tenby for £22m

By Roland Rudd

EMESS, the lighting and electrical accessories company, is to sell Tenby, the electrical manufacturer and distributor, to Legrand, the French electrical group, for £22m.

The divestment, which has to be ratified by shareholders at an extraordinary meeting on December 23, will reduce borrowings from £38m to £16m, giving gearing of 23 per cent.

Mr Michael Meyer, chairman, said the sale would allow the company to focus on its core businesses of consumer and commercial lighting.

The disposal has enabled Emess to introduce an employee share ownership plan that will be used to buy back preference shares.

When an employee option is due, instead of issuing new shares, the company's Esop will buy preference shares and convert them into ordinary shares. Emess is intending to lend up to £3m to the Esop.

Profits before tax and extraordinary items at Tenby for the 1991 year amounted to £2.1m. The consideration is based on 1992 trading profits which are expected to be about £2.7m.

Berisford losses at £22.3m as acquisitions are sought

By Maggie Urry

BERISFORD International, the commodities and property group that nearly went into receivership in 1990, is looking to expand once more through acquisitions.

The group announced annual results yesterday, showing a loss of £22.3m before tax, against a £20.5m deficit in the preceding year to September 30.

The company has tax losses of £365m in the US, £40m in the UK and £19m of advance corporation tax which can be recouped. The US losses can be used for up to 15 years but would vanish if Berisford were taken over.

Mr Alan Bowkett, who joined as chief executive at the start of the year, said he was now spending 75 per cent of his time looking to the future. Acquisitions would be funded by equity and borrowings.

Mr Bowkett said he was "working very hard" on a deal, and was "not afraid of debt". He was looking to buy in areas of industrial manufacturing and distribution, building products or food, and planned initially to buy in the UK. He wanted a company with "a sound product" and hoped for a friendly deal with the target's shareholders, if not its management.

Mr Roy Hammond is to join Berisford as operations director in January. Mr Bowkett and Mr Hammond have worked together in two other companies. Mr Peter Butler, the finance director who has overseen repayment of £1.5bn of debt, is leaving in the new year.

Mr Bowkett said that all the group's problems had now been addressed and there were no more "black holes". All the off-balance sheet debt had been brought on balance sheet and he anticipated an unqualified auditors' report on the accounts.

At year-end net debt was £15m (£18.6m cash), but asset sales since then should give the company net cash by the new year. Early repayment of remaining term debt is planned which will leave the group with four banks, compared with 68 banks when it entered refinancing talks. Shareholders' funds at the year end were £84.6m and have stabilised at that level since then, Mr Bowkett said.

Turnover fell to £130.5m from £694.2m, reflecting disposals. Mr Bowkett said the ongoing business had sales of about £50m a year but central overheads, at about £5m a year, were high for the size of business.

Pre-interest losses were £2.7m (profit £21.2m) and interest cost £900,000 (£19.6m). Exceptional items of £18.7m (£22.1m) included property write-downs of £16.3m. Extraordinary debits totalled £42.7m (credit £76.1m). There was a transfer from reserves of £67.1m (retained profit of £62.1m).

Losses per share were 4.9p (2.9p). The group is planning to consolidate its 10p shares into 50p shares to reduce the bid-offer spread and cut dealing costs.

● COMMENT

Berisford's survival in any form is a remarkable achievement. But assessing its future as an investment is another matter. The share price of 18¼p, down ½p yesterday, is close to net asset value of 17p a share which, in the absence of profits and dividends, is probably about right. From here on the shares are highly speculative, depending on Mr Bowkett and his team picking a suitable first target and being able to attract investors to finance a large enough deal. If they succeed, and build on that achievement, the eventual prize will be the unlocking of the US tax losses. Not one for the faint hearted.

BTP hits £10m with help from purchases

By Jane Fuller

BTP, the speciality chemicals company, increased pre-tax profits by 15 per cent to £10.1m in the six months to September 30 with the help of contributions from two French acquisitions.

Mr Frank Buckley, chairman, said continental Europe accounted for 33 per cent of group sales compared with 24 per cent in the same period of last year. First-half turnover rose by 20 per cent to £99m.

The new adhesives companies joined the chemical division, adding about £700,000 to operating profit of £6.3m (£5.23m). The division had sales of £55m (£41.5m).

Most of the £6.3m capital spending went to the biocides division, which saw profits slip to £1.91m (£2.04m). Sales rose to £17.7m (£15.6m).

Mr Buckley said the most important growth trend lay in the switch from solvent-based to water-based materials, such as adhesives and paints. A new factory near Blackburn would next year start producing a bug-killing ingredient for the water-based products.

On the industrial side, the mainly UK profit declined to £1.83m (£2.15m) on sales of £26.2m (£25.3m). About 70 per cent of the sales were accounted for by the fall-arrest, safety equipment business, which was still growing. Another part of the division was being sold.

A small amount of interest was received compared with £602,000 charges in the first half of last year. The £6.5m cash held in March turned into £767,000 net debt after a bulge in capital spending to build the new factory.

Earnings slipped to 6.96p (7.1p) but the interim dividend goes up to 3.25p (3.1p).

● COMMENT

Nervousness about BTP's resilience caused the shares to underperform the market by more than 20 per cent since June. These results breathed relief into sentiment and the price gained 11p to close at 218p. The two thirds of sales outside the UK have limited recessionary damage so far, although the continental businesses are expected to face tougher conditions. Once again the group has integrated acquisitions well and next year the biocides factory promises to inject more organic growth. Annual pre-tax profit is forecast to rise from £18.2m to about £21m, although earnings would do well to top last year's 14.81p – leaving this line a bit droopy since 1990-91. While a prospective multiple of 15 looks fair, there may be a bit more post-results applause. On a longer time scale, the company has a neat trick of converting froth into paper for acquisitions. With a smooth hand-over under way between Mr Buckley and his heir apparent, there seems little to unsettle the BTP fan club.

Charter slips to £37.1m

By Angus Foster

CHARTER Consolidated, the industrial holding company in which Minorco, the investment vehicle of Anglo-American, holds 36 per cent, announced a slight fall in profits due to lower interest earnings.

Pre-tax profits fell from £38.5m to £37.1m in the six months to September 30. A seasonal cash outflow, and lower interest rates, cut Charter's net interest receivable by £2.5m to £5.8m as net cash fell £20m to £122m.

Turnover increased 4.3 per cent to £605.7m, helped by growth in the rail track equipment and building services divisions. Operating profits increased from £30.2m to £31.3m.

Pandrol International, which makes rail fasteners and track maintenance equipment, recorded operating profits of £6.7m (£6.6m).

Cape, the building products and services division, increased turnover 31 per cent to £127.9m but operating profits were unchanged at £6.4m.

Mining equipment reported unchanged profits of £2m while quarrying and mining increased profits slightly to £1.8m (£1.6m).

Johnson Matthey, the metals company in which Charter owns 38.4 per cent, increased its contribution to £12.7m (£12.5m).

Mr Nigel Robson, finance director, said capital expenditure increased from £9m to £11.9m. High average exchange rates, especially for the dollar, cost the company £175,000. There was an extraordinary profit of £1.4m on the write-back of prior-year provisions against an overseas investment, Mr Robson said.

Earnings fell to 21.8p (22.4p). The interim dividend is maintained at 7p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Atkins ....int	3.6	Jan 20	3.6	-	7.6
Avesco ....int	nil	-	0.5	-	0.5
Bogod A ....int	0.2	Feb 3	0.2	-	0.7
BTP ....int	3.25	Feb 11	3.1	-	8.85
Campbell/Armst'g ....int	nil	-	1	-	2
Carlton Comms ....fin	10.3	Apr 6	9.4	17	15.5
Charter Cons ....int	7	Jan 18	7	-	21.5
Chiltern Radio ....fin	nil	-	1	nil	2
East Mid Elect ....int	5.72	Mar 24	5.1	-	17.1
Eurocopy ....fin	0.5	Apr 6	2.9	1.6	4
Mansfield Brew ....int	4.4	Jan 8	4	-	13.6
M&G Second Dual ....int	13.19	Jan 8	13.19	-	23.86
Safeland ....int	0.06	Mar 16	0.14	-	0.28
Sage ....fin	6	Feb 26	5.35	9.02	8.05
Siebe ....int	3.3275	Apr 1	3.025*	-	9.075*
Sturge ....fin	5.5	Apr 6	11	8.25	16.5
Umeco § ....int	0.75	Feb 15	0.75	-	1.75
Vaux ....fin	6.1	Feb 16	6.1	9.35	9.2
Whitecroft ....int	nil	-	3.3	-	.4

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for script issue. §USM stock.

COMMODITIES AND AGRICULTURE

MIM cuts zinc output at Queensland mine

By Bruce Jacques in Sydney

MIM Holdings, the Australian miner, has responded to sick world metals markets with cuts to zinc and lead production at its Mount Isa-Hilton complex in Queensland.

The managing director of MIM, Mr Norman Fussell, said the company would reduce output of zinc-lead ore by 15 per cent and the concentrator at the Hilton mine would switch to processing stockpiled copper converter slag.

"The decision to curtail zinc-lead mining acknowledges the developing weakness in world markets for those metals, aggravated by exports from former Soviet bloc countries," Mr Fussell said.

MIM is the second big Australian mining company to announce production cuts this month. Earlier, Western Mining Corporation said it planned changes at both its Kambalda and Leinster nickel operations, but did not spell out the exact effect on output.

Mr Fussell said despite the cuts, zinc and lead would remain core businesses for MIM. "Market studies indicate that the long-term trend of growing demand for zinc and lead will resume after the recession and a window of opportunity in the market will arise about 1995-96," he said.

"Hence, the decision of MIM and its joint venturers to develop the McArthur River mine. We are confident that the use of zinc will increase as an effective and economical anti-corrosion protector of steel and in other applications, while the future of lead will be linked to batteries, including the development of electric vehicles."

● *Hamersley Iron, the Australian iron ore miner, will reduce its workforce by 400 at its Pilbara operations in Western Australia because sales have been lower than expected since June.*

ZINC PRICES rose initially on the London Metal Exchange yesterday to reach $1,114 a tonne at one stage before traders reconsidered the news from MIM and recognised that the production cuts would not be substantial.

Sentiment was also affected by a rise of 15,800 tonnes in LME warehouse zinc stocks following a rush of arrivals in Rotterdam. This took LME zinc stocks to a fresh peak of 394,850 tonnes.

By the close last night, the price of zinc for delivery in three months had reversed to $1,088.50 a tonne, down $5 from the overnight level.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+3,575	to 1,487,300
Copper	+1,450	to 328,625
Lead	+2,375	to 204,075
Nickel	+774	to 64,956
Zinc	+15,800	to 394,850
Tin	-65	to 14,370

Greenland refinery proposed

By Kenneth Gooding

A $300m ZINC refinery might be built in Greenland to process some of the raw material which at present is shipped from the Canadian Arctic to Europe for refining.

Substantial quantities of zinc concentrate are produced in the Canadian Arctic and the supply is expected to increase in 1997 with the start-up of Metall Mining's Isok Lake project in the Northwest Territories.

Greenland's refinery, which would employ about 350 people and be built near the capital, Nuuk, would use cheap electricity from a hydroelectric facility which is nearing completion and will be in full production next year.

Mr Robert Gannicott, president of Platinova A/S, the company behind the scheme, pointed out that Greenland was only half the distance from the Canadian Arctic compared to Europe – an important consideration when the Canadian mines had such short shipping seasons.

Nuuk is on Greenland's south-west coast which is kept ice-free all year by the Gulf Stream. It offers regular, scheduled shipping services to Europe and North America and considerable excess capacity in ships leaving Greenland which could accommodate refined metal, Mr Gannicott pointed out.

Platinova – a junior exploration company, quoted in Toronto with mainly Canadian and European shareholders – has ordered a pre-feasibility study of the refinery project from both Sherritt Gordon and Hatch and Associates.

Mr Gannicott was speaking in London during presentations by the Greenland government designed to encourage mining and oil companies to do more exploration.

Mr Lars Emil Johansen, premier of Greenland, a country nearly the size of the US but with a population of only 55,000, was particularly enthusiastic about a high-grade gold deposit at Nalunaq in the Kirkespir Valley. This was discovered recently by Nunaoil A/S, a company jointly owned by Greenland and Denmark, and Mr Johansen said he hoped the find would support a gold mine which could be producing from 1996-97.

Microdiamonds have also been discovered in west Greenland and RTZ, the world's biggest mining company, is at present concentrating its exploration efforts in the country on diamonds.

Government rejects Scottish milk merger

By James Buxton, Scottish Correspondent

THE government yesterday rejected a proposed takeover by the Scottish Milk Marketing Board of the Co-operative Wholesale Society's milk business in Scotland, following a recommendation by the Monopolies and Mergers Commission yesterday.

The MMC ruled that the combined entity would be more efficient but might abuse its large share of the Scottish market by giving preferential treatment to its own commercial operations and raising prices for both raw and processed milk. These dangers would arise after 1994, when the Scottish MMB is likely to become a voluntary producers' co-operative.

The Scottish MMB, one of three milk marketing boards in Scotland, purchases milk from farmers and sells it for processing. It produces its own milk for retail sale under the Scottish Pride and Scottish Farm labels.

The MMC's decision could have a bearing on the future of the Milk Marketing Board in England and Wales, which the government also wants to see becoming a voluntary co-operative. The scheme, for which legislation is before parliament, is opposed by private dairy companies.

The MMC's decision will be seen as a victory for independent Scottish processors, who felt that the Scottish MMB was increasing its vertical integration in the Scottish market in advance of the shake-up in 1994, and expanding its liquid milk processing.

Yesterday the CWS said the decision had very little to do with the sale of its milk operation in Scotland and "much to do with the deregulation of the milk marketing scheme". It said it was absurd that it had taken the Scottish Office and the regulatory authorities 18 months to come to this conclusion.

Caribbean gives Gummer mixed reaction to banana proposals

By Canute James

MR John Gummer, Britain's farm minister, made a hurried trip through the Caribbean at the weekend to try to mollify growing regional concern over new UK proposals for the marketing of bananas when the single European market is created next month.

In his wake, the reaction in the region was mixed, with expressions of hope that the new proposals would guarantee the market access which the Caribbean producers want, following indications that Britain will suggest the EC use tariffs instead of quotas for banana imports.

Mr Gummer's whirlwind visit, in which he met representatives of the Belize, Jamaica and Windward Islands banana industries in separate meetings over two days, was intended to explain the proposals which Britain, as the EC president, hopes to present to next week's meeting of the community's farm ministers.

A statement issued by the St Lucian government said the Windward Islands were "satisfied" with the new British proposals which "addressed the concern of the Windward Islands and other Caribbean producers and meet Europe's obligations enshrined in the Lome Convention, while not offending the terms of the GATT negotiations now approaching completion".

The meeting in St Lucia was attended by Mr John Compton, the prime minister of that island, and Dame Eugenia Charles, prime minister of Dominica, and ministers from Grenada and St Vincent. The statement said the Windward Islands were "satisfied that the Gummer proposals represent a serious attempt to break the deadlock and provide a satisfactory solution to the banana problem."

Mr Marshall Hall, chairman of the Banana Export Company of Jamaica, said he would be surprised "if there is a change of direction on the banana policy at this late stage". He said that if this were so, Caribbean producers would insist that the provisions of the Lome Convention be respected.

The convention is a trade treaty between the EC and members of the African, Caribbean and Pacific (ACP) Group. The banana protocol of the convention says the EC will undertake to ensure that ACP banana exporters are left in no worse a position by changes in the market for the fruit.

"We have said to the British that it is clear nothing can be agreed by January 1, and that we therefore need a marketing regime which must be similar to the one in place now," said Mr Hall.

However, some industry representatives in the region say the "tariffication" of the market being proposed by Britain goes against earlier commitments that markets will be protected, and that this latest change will satisfy only the Latin American producers who have been arguing against the use of EC import quotas.

The minister told the House of Commons last week that the UK and France had planned "intermediate measures" to protect the exports of traditional suppliers; and that the UK was not tied to any one method but was instead "tied to an end".

The European Commission had earlier suggested the use of quotas to guarantee the market of the traditional suppliers of the ACP group. But Mr Gummer is reported to have told the Caribbean political leaders and banana industry officials in the meetings over the weekend that no agreement on the Commission's proposal was possible because quotas were not acceptable to several EC members, including Germany, Belgium and Denmark.

Mr Gummer also told the Caribbean producers that in light of an expected agreement between the US and the EC on trade in farm products, a GATT waiver to allow banana quotas would be difficult, and that a "GATT-compatible" agreement on bananas was needed.

There will be no solution to the problem by the January 1 deadline, the minister said, but the UK had devised a plan which would allow Caribbean and other ACP banana producers some protection after the Europe single market was effected.

There is reluctance in the region to give details of what Mr Gummer proposed in the meetings. The British minister is reported to have explained to the Caribbean leaders and the banana industry representatives that the new proposals which would see tariffs on ACP fruit, with country-specific tonnages being allocated for fruit from ACP producers and with agreed quantities to be imported from other sources, mainly from Latin American countries.

Caribbean representatives in the several meetings told Mr Gummer that they preferred the original European Commission proposals for the application of quotas, but that if this were not possible, then they would be comfortable only if the tonnages for Latin American fruit were low, and the tariffs to be applied were high.

Ecuador loses momentum

By Raymond Colitt in Quito

ECUADOR'S banana boom seems to have lost momentum, with sales from the world's largest exporter down considerably since June of this year.

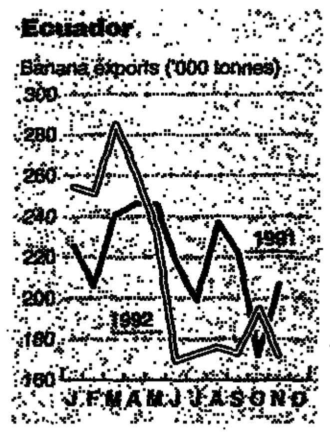
After a bumper crop allowing Ecuador to export 2.7m tonnes of bananas last year, this year's exports are projected to reach hardly 2.5m tonnes. Due to the fall in prices this year's earnings are calculated to be around US$600m, down 25 per cent from last year. In June of this year exports were down by an average of 18 per cent compared to the same period last year.

Torrential storms caused by the Pacific current El Niño earlier this year flooded many plantations, significantly affecting the quality of the fruit and the per acre productivity. The areas most significantly affected were the coastal provinces of Guayas, Manabi, El Oro and Los Rios.

In addition, productivity has been affected by the Black Sigatoka disease. Although the spread of the disease has been halted quite efficiently with French technical assistance, roughly 80 per cent of all crops are still affected by Sigatoka.

According to the Minister of Agriculture, Mariano González, the persistence of Sigatoka disease and the low productivity level in general are due to the insufficient agricultural technologies on a majority of the country's plantations. Mr Gonzalez estimates that out of the 130,000 hectares currently being cultivated, only 40,000 are properly irrigated, fertilised or equipped with pesticide controls.

Ecuador is keeping a close eye on developments as the European Community debates replacement of its present quota system for Latin American bananas. Exports to the EC make up over 40 per cent of Ecuador's overseas sales. The US market, Ecuador's largest, is already saturated.



Anglo to invest in Chilean mine

By Leslie Crawford in Santiago

MINERA Mantos Blancos, the Chilean copper mine controlled by Anglo American of South Africa, plans to invest $290m over the next five years to maintain production at its existing mine and develop a new deposit.

Mantos Blancos needs to double the girth of its open-pit mine near Antofagasta in the Atacama desert to reach the ore body's remaining reserves. The expansion, which is expected to cost $85m, will extend the life of the mine beyond the year 2010. Output is expected to remain steady at about 75,000 tonnes a year.

The company will also invest $56m to switch production from copper oxides to copper cathodes, which are more environment-friendly.

In addition, Mantos Blancos is developing a second ore body called Mantoverde, which is expected to enter production in 1994 with an annual output of nearly 40,000 tonnes.

Mr Ricardo Martinez, Mantos Blancos' spokesman, says the company is still studying its funding options.

Mantos Blancos will have to find $92m to pay for its share of the Collahuasi copper project should Royal Dutch/Shell and Falconbridge accept Minorco and Mantos Blancos as their new partners. Minorco, the Luxembourg-based associate of Anglo American, has made a $185m bid for Chevron's 33 per cent stake.

Indian sugar output to fall

By Kunal Bose in Calcutta

INDIAN sugar production is expected to fall to 11.5m tonnes in the 1992-93 season, compared to last year's record 13.4m tonnes, following a 20 per cent shortfall in the cane crop, according to the Indian Sugar Mills Association (ISMA).

Delayed monsoons in all cane-growing states and the failure of sugar factories to clear cane bills of nearly Rs5bn ($176m) forced growers to cut the area under the crop from last year's 3.85m hectares.

Since the current season has opened with stocks of 4.9m tonnes, total supplies will remain comfortable. The federal government has already sanctioned export of 375,000 tonnes of sugar, but has not yet agreed to create a buffer stock of up to 1m tonnes.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,650-1,710 (1,660-1,720).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.25-2.45 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.45-0.55 (0.50-0.60).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 15.60-16.60 (15.80-16.80).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-140 (125-140).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 1.85-1.95 (1.90-2.00).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 40-50 (45-55).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.75-1.85 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.90 (8.00).

WORLD COMMODITIES PRICES

MARKET REPORT

London COCOA took a sudden dive on what traders said was fund liquidation. After ending the morning with moderate losses, the market plunged after the New York March contract breached first $1,000 and then $980 in early trading. "A significant trend line was broken in London, precipitating the sell off here," said a commission house trader. "The fall was exaggerated by sell stops because there is no fundamental news out today." A London trader said that people had got "rather complacent really. We're going to need something quite new to shake up some buying." New York arabica COFFEE prices were lower at midsession, but holding support after a rise in warehouse stocks. London's March robusta contract fell back below $1,000 a tonne. "Both London and New York are looking to consolidate but London is running into more origin selling," one dealer said. Three-month NICKEL advanced further on the LME, but profit taking and chart selling were evident above $6,000.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$15.85-6.05u	-0.10
Brent Blend (dated)	$18.03-8.15u	-.125
Brent Blend (Jan)	$18.00-8.05	-.125
W.T.I. (1 pm est)	$18.95-9.00u	-0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$192-194	-1
Gas Oil	$176-178	+0.5
Heavy Fuel Oil	$73-75	-2
Naphtha	$175-176	+0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$335.75	+0.6
Silver (per troy oz)♣	377.50c	+3
Platinum (per troy oz)	$369.2	+3.7
Palladium (per troy oz)	$109.25	+3.5
Copper (US Producer)	103.5c	+2.5
Lead (US Producer)	34.625c	
Tin (Kuala Lumpur market)	14.21r	
Tin (New York)	267.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	114.97p	+3.5*
Sheep (live weight)†♣	80.79p	+6.42*
Pigs (live weight)†	86.09p	+1.17*
London daily sugar (raw)	$212.7w	-8.3
London daily sugar (white)	249.3w	-0.3
Tate and Lyle export price	£241.5	-6.5
Barley (English feed)	£136.0z	
Maize (US No. 3 yellow)	£155.0	
Wheat (US Dark Northern)	Unq	
Rubber (Jan)♥	61.75p	-0.75
Rubber (Feb)♥	62.00p	-0.75
Rubber (KL RSS No 1 Jan)	226m	+0.5
Coconut oil (Philippines)§	$470.0y	
Palm Oil (Malaysian)§	$402.5z	-2.5
Copra (Philippines)§	$315	-5
Soyabeans (US)	£183	-2.5
Cotton "A" Index	54.05c	-0.05
Wooltops (64s Super)	417p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jan/Feb u-Jan. w-Dec/Jan. z-Jan/Mar. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. ♦ Gas Oil Price for 3/12/1992 174-175 down 2

SUGAR - London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	185.00	186.00	184.20
May	180.00	180.00	182.00
White	**Close**	**Previous**	**High/Low**
Mar	249.10	251.20	252.20 248.10
May	252.20	254.20	254.30 251.40
Aug	257.60	260.00	260.00 257.60
Oct	243.80	246.50	247.50 243.80
Dec	246.60	249.50	249.00 246.50
Mar	248.50	252.50	249.50

Turnover: Raw 85 (19) lots of 50 tonnes. White 727 (693) Paris- White (FFr per tonne): Mar 1340.03 May 1370.82

CRUDE OIL - IPE $/barrel

	Latest	Previous	High/Low
Jan	18.01	18.24	18.31 17.99
Feb	17.96	18.18	18.24 17.97
Mar	17.88	18.16	18.20 17.97
Apr	18.12	18.12	18.12 18.03
May	18.12	18.12	18.09 18.00
Jun	17.95	18.11	18.13 17.95
IPE Index	18.05	18.23	

Turnover 26726 (36871)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low
Dec	170.75	170.75	172.50 169.50
Jan	172.75	172.25	174.00 171.25
Feb	170.50	173.00	174.00 171.75
Mar	171.75	171.25	173.00 170.25
Apr	169.00	169.25	170.00 168.25
May	167.00	166.75	168.75 167.00
Jun	166.00	166.50	167.25 166.00
Jul	167.50	169.25	168.25
Aug	169.75	170.00	171.00

Turnover 21421 (22469) lots of 100 tonnes

COCOA - London FOX £/tonne

	Close	Previous	High/Low
Dec	661	686	690 659
Mar	693	711	707 681
May	702	727	722 700
Jul	716	743	735 718
Sep	733	760	750 733
Dec	752	782	775 764
Mar	772	801	795 777
May	790	816	789

Turnover 8689 (3326) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Dec 7 780.76 (782.16) 10 day average for Dec 8 780.74 (780.87)

COFFEE - London FOX $/tonne

	Close	Previous	High/Low
Jan	984	996	995 981
Mar	999	1007	1005 992
May	989	996	996 980
Jul	995	996	998 981
Sep	997	1001	997 993
Nov	1010	1010	1010

Turnover 1998 (2981) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Dec 7 Comp. daily 62.43 (62.26) 15 day average 59.88 (59.51)

POTATOES - London FOX £/tonne

	Close	Previous	High/Low
Apr	82.5	83.3	82.9 82.0
May	69.0	69.5	69.5 68.5

Turnover 10 (24) lots of 20 tonnes.

SOYAMEAL - London FOX £/tonne

	Close	Previous	High/Low
Dec	147.00	148.00	147.00
Apr	149.00		146.00
Jun	136.60		136.50

Turnover 100 (0) lots of 20 tonnes

FREIGHT - London FOX $10/index point

	Close	Previous	High/Low
Dec	1335	1331	1339 1334
Jan	1300	1289	1305 1296
Feb	1280	1280	1290
Apr	1260	1251	1265 1260
Jul	1117	1115	1117
Oct	1312	1328	1315 1312
BFI	1346	1342	

Turnover 113 (97)

GRAINS - London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	131.65	131.65	131.70 131.60
Mar	133.20	133.20	133.40 133.00
May	135.40	135.30	135.40 135.20
Jun	136.50	136.50	136.50
Barley	**Close**	**Previous**	**High/Low**
Jan	130.00	130.70	130.00
Mar	131.90	132.70	132.25 131.90
May	134.40	134.70	134.40 134.30

Turnover: Wheat 479 (220) Barley 55 (258) Turnover lots of 100 Tonnes.

PIGS - London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	102.0	102.3	101.5 101.0
Apr	102.5	102.3	102.0
Jul	101.0	102.9	102.3

Turnover 16 (14) lots of 3,250 kg

COTTON

Spot and shipment sales in Liverpool for the week ended 4 December amounted to 116 tonnes against 20 tonnes in the previous week. Improved demand brought moderate purchases mainly in Mali and Syrian descriptions. Central and South American growths made some headway.

JUTE

Dec/Jan C and F Dundee BTC USD 355 BWC USD 370 BTD USD 330 BWD USD 330 C and F Antwerp BTC USD 335 BWC USD 335 BTD USD 310 BWC USD 310.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 30,692 lots	
Cash	1182.5-3.5	1182.5-3.5	1183/1183	1182.5-3.0		
3 months	1206-7	1208-8.5	1210/1207	1208-8.5	1207.5-8	183,839 lots
Copper, Grade A (£ per tonne)					Total daily turnover 37,793 lots	
Cash	1363.5-5.5	1360-1	1373/1373	1372-3		
3 months	1407-8	1414-4.5	1408/1395	1395.5-6.0	1406-7	164,034 lots
Lead (£ per tonne)					Total daily turnover 1,967 lots	
Cash	288.5-9.5	288.5-9.5	288.5/288	289-9.25		
3 months	300-1	299-300	301/298	300-0.5	299-300	27,480 lots
Nickel ($ per tonne)					Total daily turnover 12,418 lots	
Cash	5665-75	5765-75	5665/5665	5660-5		
3 months	5940-5	5845-50	6080/5930	5945-50	5950-60	41,016 lots
Tin ($ per tonne)					Total daily turnover 3,274 lots	
Cash	5830-40	5770-80	5800/5800	5800-2		
3 months	5870-80	5825-30	5880/5860	5855-60	5860-70	10,302 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 29,115 lots	
Cash	1088-9	1075-6	1072.5/1072.5	1072-2.5		
3 months	1098-9	1093-4	1112/1081	1092-3	1081-2	72,782 lots

LME Closing £/$ rate: SPOT 1.5860 3 months: 1.5828 6 months: 1.5705 9 months: 1.5610

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	335.60-335.90	
Opening	336.00-336.40	
Morning fix	335.25	210.056
Afternoon fix	335.35	209.997
Day's high	336.20-336.50	
Day's low	334.70-335.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.84	6 months	2.17
2 months	1.84	12 months	2.50
3 months	1.85		

Silver fix	p/troy oz	US cts equiv
Spot	236.50	377.50
3 months	238.35	379.05
6 months	242.30	385.60
12 months	250.00	390.35

GOLD COINS	$ price	£ equivalent
Krugerrand	334.50-337.50	208.00-210.00
Maple leaf	345.30-347.60	-
New Sovereign	78.50-81.50	48.00-50.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Apr	Jan	Apr
1150	38	70	4	11
1175	22	53	11	18
1200	14	38	22	29
Copper (Grade A)	**Calls**		**Puts**	
2100	121	137	3	7
2150	75	97	5	15
2200	36	64	18	32
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
950	38	67	5	18
1000	10	39	25	40
1050	2	21	66	72
Cocoa	**Mar**	**May**	**Mar**	**May**
650	1	76	18	23
675	6	60	25	33
700	26	47	43	45
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Dec	335.4	336.1	336.0 335.0
Jan	335.9	336.6	0 0
Feb	336.3	337.0	336.7 335.8
Apr	337.5	338.2	337.7 337.2
Jun	339.0	338.8	338.8 338.0
Aug	340.5	341.4	0 0
Oct	342.3	342.9	0 0
Dec	344.1	345.0	343.8 343.0
Feb	346.3	347.2	0 0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Jan	370.0	371.1	374.0 369.9
Apr	370.9	369.4	375.0 369.2
Jul	367.3	368.4	371.0 368.0
Oct	368.5	370.4	370.0 370.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Dec	373.9	378.3	375.5 374.0
Jan	374.8	376.1	376.0 375.0
Feb	375.4	377.9	0 0
Mar	377.3	378.6	380.0 377.0
May	380.1	381.6	382.0 380.0
Jul	382.2	384.2	384.5 382.0
Sep	384.1	386.1	386.0 384.0
Dec	388.0	389.4	390.5 388.0
Jan	386.2	389.7	0 0
Mar	392.2	393.7	0 0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Dec	98.30	98.75	98.90 98.20
Jan	98.70	99.10	98.95 98.60
Feb	98.15	99.15	99.80 98.20
Mar	98.55	99.40	99.40 98.50
Apr	98.80	99.25	0 0
May	99.55	100.05	99.60 99.20
Jul	100.05	100.75	100.00 100.20
Sep	100.50	101.05	101.00 101.00
Dec	100.65	101.20	100.60 100.60
Jan	101.20	101.65	0 0
Mar	101.35	101.65	102.10 102.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
Jan	18.91	19.18	19.21 18.88
Feb	19.05	19.24	19.35 19.00
Mar	19.12	19.33	19.39 19.12
Apr	19.19	19.38	19.44 19.15
May	19.22	19.39	19.45 19.20
Jun	19.25	19.40	19.47 19.27
Jul	19.26	19.41	19.46 19.27
Aug	19.29	19.42	19.49 19.30
Sep	19.30	19.44	19.48 19.30
Oct	19.32	19.46	19.48 19.30

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
Jan	54.70	55.54	56.10 54.70
Feb	55.60	56.18	56.70 55.50
Mar	55.35	55.85	56.20 55.35
Apr	54.25	54.85	55.00 54.35
May	53.55	53.85	54.00 53.40
Jun	53.05	53.50	53.85 53.15
Jul	53.00	53.85	54.00 53.45
Aug	54.10	54.40	54.40 54.10
Sep	55.20	55.55	55.35 55.20
Oct	56.20	56.50	56.45 56.20

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low
Dec	914	971	962 920
Mar	951	1006	1007 950
May	980	1035	1037 978
Jul	1007	1059	1050 1006
Sep	1031	1083	1065 1030
Dec	1061	1119	1090 1069
Mar	1103	1155	1130 1110
May	1120	1174	1160 1190
Jul	1153	1187	0 0
Sep	1207	1221	0 0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Dec	76.45	75.70	76.50 74.60
Mar	78.00	76.60	78.40 75.30
May	81.40	78.95	81.65 78.85
Jul	83.00	81.30	83.60 81.20
Sep	84.50	82.50	84.50 82.00
Dec	86.50	84.70	84.80 84.70
Mar	88.00	86.75	0 0
May	89.40	88.25	0 0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Mar	8.25	8.29	8.27 8.21
May	8.44	8.47	8.46 8.41
Jul	8.54	8.55	8.55 8.52
Oct	8.56	8.57	8.57 8.53
Mar	8.66	8.66	8.66 8.62
May	8.75	8.80	0 0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Dec	58.41	59.22	59.25 58.30
Mar	58.92	59.53	59.65 58.84
May	59.65	60.22	60.20 59.59
Jul	60.02	60.50	60.65 59.85
Oct	60.60	60.65	60.60 60.45
Dec	60.35	60.25	60.35 60.05
Mar	60.99	61.20	61.20 61.00
May	61.18	61.25	0 0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	102.00	102.50	102.20 100.60
Mar	104.65	105.00	104.95 103.60
May	105.00	105.75	105.60 104.40
Jul	106.70	106.20	104.75 104.40
Sep	103.25	103.50	0 0
Nov	103.85	104.00	104.75 104.75
Jan	103.95	103.50	104.25 104.00
Mar	103.95	103.50	0 0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec.8	Dec.7	mnth ago	yr ago
1630.7	1662.2	1644.1	1611.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec.7	Dec.4	mnth ago	yr ago
Spot	121.17	121.17	116.02	114.84
Futures	119.70	118.70	116.59	121.26

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Jan	560/0	565/4	561/2 556/2
Mar	564/2	566/4	566/0 561/0
May	570/0	570/2	572/0 567/0
Jul	575/6	575/6	577/4 573/2
Aug	577/6	578/0	579/4 577/0
Sep	576/6	577/4	577/4 576/4
Nov	583/4	583/4	584/6 581/2
Jan	590/4	590/4	590/4 590/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Dec	20.05	20.22	20.22 20.03
Jan	20.17	20.32	20.35 20.14
Mar	20.37	20.51	20.56 20.35
May	20.51	20.63	20.70 20.50
Jul	20.61	20.75	20.75 20.60
Aug	20.61	20.75	20.76 20.61
Sep	20.65	20.80	20.65 20.65
Oct	20.64	20.77	20.80 20.64

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Dec	181.7	178.7	181.8 178.7
Jan	181.4	179.9	181.8 179.7
Mar	181.3	180.0	181.4 179.8
May	181.3	180.9	181.9 180.6
Jul	183.1	183.1	183.8 182.5
Aug	183.7	183.8	184.6 183.7
Sep	184.7	184.8	185.6 184.5
Oct	186.0	186.2	186.6 185.6

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Dec	210/2	210/4	211/0 209/6
Mar	218/0	218/6	219/4 218/2
May	226/2	226/2	227/0 225/6
Jul	231/4	231/4	232/2 231/0
Sep	236/2	236/6	236/6 236/0
Dec	241/0	241/0	241/2 240/6
Mar	247/0	248/0	248/2 247/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Dec	366/2	360/4	366/4 357/2
Mar	357/4	353/2	358/2 355/0
May	337/2	332/0	338/2 335/6
Jul	321/2	319/2	322/2 320/0
Sep	323/4	327/0	328/6 323/4
Dec	336/4	332/2	336/6 333/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Dec	77.100	76.725	77.425 76.550
Feb	74.475	74.550	74.850 74.350
Apr	74.825	74.675	74.975 74.550
Jun	71.275	71.400	71.550 71.125
Aug	69.500	69.725	69.600 69.400
Oct	70.050	70.200	70.250 70.000
Dec	70.400	70.575	70.600 70.400

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low
Dec	44.300	44.775	44.775 44.250
Feb	43.300	43.875	43.550 43.150
Apr	41.325	41.575	41.600 41.200
Jun	46.750	45.825	45.850 45.500
Jul	45.150	45.200	45.300 45.050
Aug	44.300	44.500	44.600 44.150
Oct	42.225	42.650	42.800 42.300
Dec	42.650	42.850	43.000 42.550

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	39.100	39.700	39.850 38.900
Mar	39.250	39.775	39.975 39.050
May	40.875	41.100	41.100 40.100
Jul	40.850	41.100	41.000 40.500
Aug	38.125	39.650	39.000 38.025

FINANCIAL TIMES SURVEY

CANADA

Wednesday December 9 1992

Hopes that the past few years' political and economic turbulence is over have been buoyed by early signs of business recovery and the conclusion of a North American free trade deal. But the future is not yet assured, writes **Bernard Simon**

Adjusting to realities

THERE are two ways of sizing up Canada as one of the more eventful years in its recent history draws to a close.

One view is that this is a country whose best years have passed; a society which has grown fat and lazy, and become so preoccupied with parochial squabbling that it has lost sight of the cut-throat world beyond its borders.

The other view is that Canadians have begun to sit up and take notice of the challenges facing them. They are anxious to put aside the constitutional wrangle of the past few years, and to get to grips with the economic problems which threaten their enviable standard of living. If this is true, Canada's best years could yet lie ahead.

Evidence abounds to support both scenarios. On the one hand, Quebec separatists, regional forces in western Canada and other special interest groups have been emboldened by the voters' decisive rejection in a referendum last October of a constitutional deal which was supported by almost all the country's mainstream politicians.

This political fragmentation could be reinforced in the next general election, which is likely to be called for the late summer or early autumn of 1993.

A strong showing by the separatist Bloc Quebecois and by the western-based Reform Party would deprive either of the two main parties, the Progressive Conservatives (who have been in office for the past eight years) or the Liberals, of a clear mandate. A minority government would probably be distracted from urgent economic and social issues by the political juggling needed to stay in office.

On the economic front, the world is no longer beating a path to Canada's door for raw materials. British Columbia's spruce and cedar forests may still be among the finest in the world, but buyers can find trees which grow much faster elsewhere these days, and are cut and processed by cheap, non-union labour.

Tough environmental laws and other forms of bureaucratic red tape have made Canada less attractive to mining companies than it used to be. The rich cod stocks on the Grand Banks of Newfoundland have all but disappeared.

The productivity of Canadian workers has grown more slowly than in any other OECD country over the past decade. One in three pupils drops out of school, and there is widespread dissatisfaction with the quality of education and worker training.

To make matters worse, a decade of free-spending federal and provincial governments has left the public sector burdened by towering budget deficits and debilitating debt-service payments. The federal government, which keeps promising fiscal restraint, ended up with its second-biggest deficit ever in the year to March 1992.

But any effort to restore fiscal discipline must contend with growing public resistance to an already-heavy tax burden. At the same time, Canadians show little inclination to sacrifice the social security net and the panoply of services which make Canadians' lives so comfortable.

Despite this long list of problems, the picture of Canada at the end of 1992 is not entirely gloomy. The very fact that six out of 10 provinces voted No to the Charlottetown constitutional deal (and a seventh, Ontario, which is the most powerful province, was almost evenly split), has raised hopes that the country may not be about to fall apart.

The bruising referendum campaign has left remarkably few scars. Most Canadians seem simply relieved that the divisive and arcane debate about the constitution has disappeared for the time being from the evening news.

Most crucially, the No side's victory may not have given the Quebec separatists as much of a boost as most political commentators predicted.

Recent opinion polls show that support for independence is flagging in the francophone province. There is no question of Quebeckers feeling betrayed by English-speaking Canada's rejection of the constitutional deal, as was the case when Manitoba and Newfoundland scuttled the Meech Lake accord in 1990.

While Quebeckers made the Meech Lake agreement a litmus test of their acceptance by English Canada, some 56 per cent of them voted against the latest set of reforms.

The referendum result also does not appear to have done lasting political damage to Mr Robert Bourassa, Quebec's crafty premier. Mr Bourassa, often accused in the past of taking an ambivalent stand on sovereignty, came out unequivocally during the referendum campaign as a champion of a united Canada.

Meanwhile, two recent economic developments are forcing Canadian managers and workers to adjust to the realities of global competition. The first is the ultra-tight monetary policy followed by the Bank of Canada between 1988 and 1991.

Soaring interest rates and a climbing Canadian dollar pushed the economy into an unexpectedly severe recession. That has brought inflation down to an annual rate of slightly over 1 per cent, the lowest among the G7 nations. It has also squeezed the pips of Canadian business, especially manufacturing.

One example: Dofasco and Stelco, the two biggest steelmakers, have piled up combined losses of C$1.3bn since 1990.

The second jolt has come from the US-Canada free trade agreement, now nearing its fourth anniversary. The provisions of the FTA are relatively modest in terms of lowering trade barriers. They centre on eliminating customs duties between the two countries by 1998 (most of which were already low) and guaranteeing US access to Canadian energy resources.

But coinciding with the unexpectedly severe recession, the FTA has given Canadian industry a shrill wake-up call. One company after another is freezing or rolling back wages, combining two or more small high-cost plants into a single efficient one, and searching for ways to reverse the long slide in worker productivity.

Mr John Crow, governor of the Bank of Canada, summed up the pluses and minuses of the economic shocks in a recent speech: "While in the short run, restructuring can act as a drag on demand, the future benefits of doing things smarter are enormous."

With the divisive referendum over and early signs of a business recovery now starting to appear, the big question is which of the above, radically different views of Canada's future will turn out to be closer to the mark.

Judging by their recent performance, financial markets lean towards pessimism. Pressure on the Canadian dollar has been intense since early September. Despite constant intervention by the Bank of Canada and a steep rise in short-term interest rates, the currency tumbled from almost 83 US cents to less than 78 cents in less than three months.

Standard and Poor's recently lowered its Triple-A credit rating on federal government agencies. Moreover, Ontario's bond rating has been cut twice in the past two years.

Canadian pension funds and other institutions are putting a growing proportion of their funds either into foreign markets or into Canadian companies, such as Seagram and Northern Telecom, with large foreign operations.

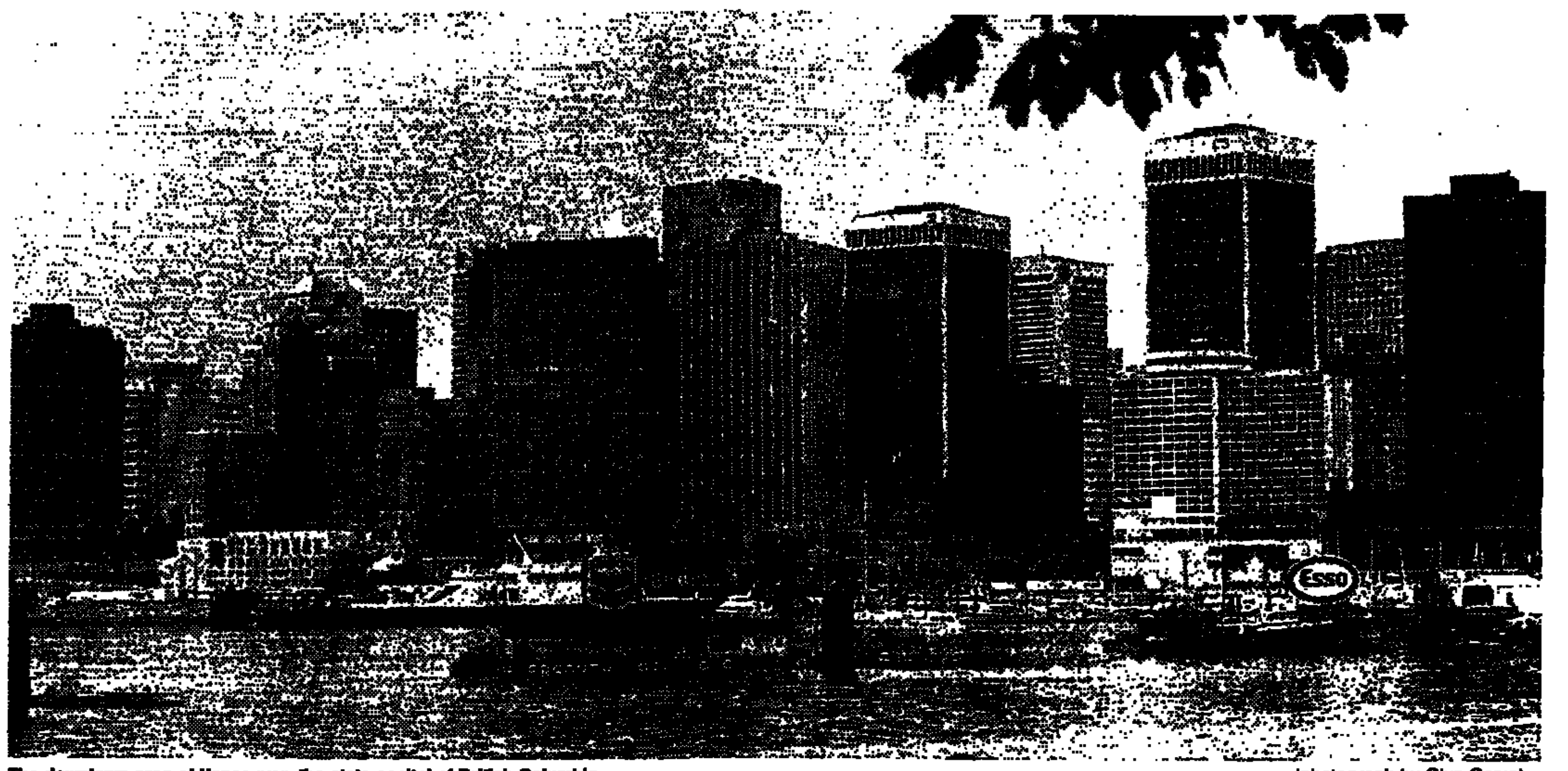
Next year's federal election could prove pivotal in assessing Canada's long-term prospects. The outcome at this stage is wide open.

The popularity of the Conservative government remains at rock-bottom. It is paying the price for presiding over the difficult times of the past few years and for Canadians' intense dislike of Mr Brian Mulroney, the prime minister.

Mr Mulroney remains confident however, that he can bounce back during 1993 as the economy starts to pick up, and Canadians appreciate the long-term wisdom of his party's policies.

The Tories have already indicated that, if re-elected, they plan to tackle some thorny

Continued on next page



The downtown area of Vancouver, the state capital of British Columbia (photograph by Glyn Genin)

Profile: ROBERT BOURASSA

Federalist fights on

"A BATTLE is over but the war continues", declared Mr Robert Bourassa, 59, as the Quebec premier conceded defeat in the October 26 referendum.

For Mr Bourassa, the war is the 30-year struggle to define an acceptable place for French-speaking Quebec within Canada and his own campaign to contain the forces of separatism.

Mr Bourassa, only 36 when he first became premier in April 1970, has been publicly derided by Mr Pierre Trudeau, the former federal prime minister, called a closet separatist by Anglophones, and accused of capitulation by Mr Jacques Parizeau, the Parti Québecois opposition leader .

Mr Robert Rae, the Ontario premier, called him a "master of ambiguity" as the Quebec leader played for time last July after the other nine provinces tabled their initial constitutional offer.

Mr Bourassa has at times dithered, bowed to federal pressure, mistaken timing and strategy, and violated his economic instincts in manoeuvring to hold the centre ground. But he is an extraordinary survivor and has won the grudging respect of his political enemies.

Mr Trudeau's use of the War Measures Act to quell the October crisis of 1970 fuelled separatist passions for a generation and led to Mr Bourassa's humiliation in 1976 by Mr René Lévesque and the Parti Québecois.

But Mr Bourassa engineered a remarkable comeback in 1985. He was re-elected in 1989, confident that he could lead Quebec into signing Canada's 1982 constitution. Those hopes died with the failure of the Meech Lake Accord in 1990.

If anything, Mr Bourassa's defence of federalism has become more passionate over the past year. He told voters squarely just before last October's referendum that Quebec could still achieve its economic and cultural aims best by remaining a part of Canada. There was nothing

Robert Bourassa: wants Quebec to remain part of Canada

ambiguous in his words.

After studying at a Jesuit college in Montreal, Mr Bourassa took a law degree in 1956 and postgraduate degrees in political economy and international tax at Oxford and Harvard.

He married into the wealthy Simard family. He worked as a tax specialist in Ottawa and Quebec City, and then was elected to the national assembly in 1966.

He spurned offers from the surging separatist movement and won the Quebec Liberal leadership early in 1970. Two months later, he defeated the old Union Nationale coalition on a platform for economic growth, and won again in 1973.

After his defeat three years later at the hands of the PQ, Mr Bourassa, frustrated and bitter, went to study the European Community and later taught in Europe and the US. But he kept in close touch with Quebec, and by 1983 was back as Quebec Liberal leader. He took his revenge on the PQ in 1985 and was re-elected with a two-thirds majority in 1989.

Mr Bourassa's passion is the craft of politics. His tenacity is legendary, but his consensus-type leadership is often bewildering. He dislikes broad visions and goals, preferring to explain the virtues of investment and stability.

He freely used the promise of the huge James Bay hydro-electric project to win at the polls in the 1970s. His 1985 tome "Power from the North" extolled the C$15-bn James Bay Phase II as a great export project ensuring Quebec's prosperity into the next century.

James Bay II has been delayed by New England's long recession and opposition from the Cree Indians. But Mr Bourassa says he will have the last word, "because hydro power is most economic and environmentally acceptable".

Slight in build and tutorial in manner, Mr Bourassa inspires respect but lacks charisma. He is uneasy on TV, yet friendly and relaxed in person-to-person meetings. Many Quebecers vote with their wallets and approve of his cautious approach.

Rumination rather than rhetoric is his style. But Mr Bourassa springs to life in the national assembly, where he is known as a master of repartee, able to put down his critics with a contemptuous flip of the hand. He usually gets the better of Mr Jacques Parizeau, the PQ leader, who was PQ finance minister from 1976 to 1984 before becoming a popular University of Montreal economics professor.

For Mr Bourassa, the failure of Meech Lake in 1990 took a heavy toll. The accord would not only have recognised Quebec as a distinct society but, in his words, "would have given us more powers than I'd expected".

The No vote in this year's referendum has been far less of a setback. Senior ministers say Mr Bourassa will lead his troops again in the next election, which is expected to be called in 1994. The one question mark is his health following a brush with skin cancer two years ago.

He will try to show how Quebec can win more administrative and cultural "space" from Ottawa, picking his ground for the next constitutional battle with customary caution.

Bernard Simon

The upturn is expected to be slow, reports **Bernard Simon**

Bank governor is hero after fall in inflation

MR JOHN CROW, the Bank of Canada's forthright governor, has been transformed over the past two years from national villain to national hero. The villains these days are spendthrift politicians whose inability to contain budget deficits has cast a cloud over Canada's economic prospects.

In 1990-91, Mr Crow bore the brunt of complaints from business, trade unions and politicians that high interest rates and a soaring currency were ravaging the Canadian economy.

More recently however, the UK-raised, former IMF economist has been showered with compliments for squeezing Canada's inflation rate down to the lowest among G7 countries, forcing business to pay more attention to its productivity, and adroitly steering Canada through the turbulence on world currency markets.

Inflation, as measured by the consumer price index, has slowed to an annual rate of little more than 1 per cent, down from 5.6 per cent in 1991 and 4.8 per cent the previous year. This easily beats inflation targets set by the government in early 1991.

Local economists have nicknamed the central bank the "Bundesbank of the North." Mr Crow insisted in a recent speech that his highest priority remains monetary stability. "This goal is good for expectations, good for markets, good for savers and investors, and therefore good for sustained recovery in the Canadian economy," he said.

But guiding the economy towards a smooth, non-inflationary recovery will not be easy. The success of monetary policy in recent years masks a disturbing deterioration in the state of Canada's public finances.

"The Bank of Canada has no antidote for fiscal problems in this country," says Mr Warren Jestin, Bank of Nova Scotia's chief economist.

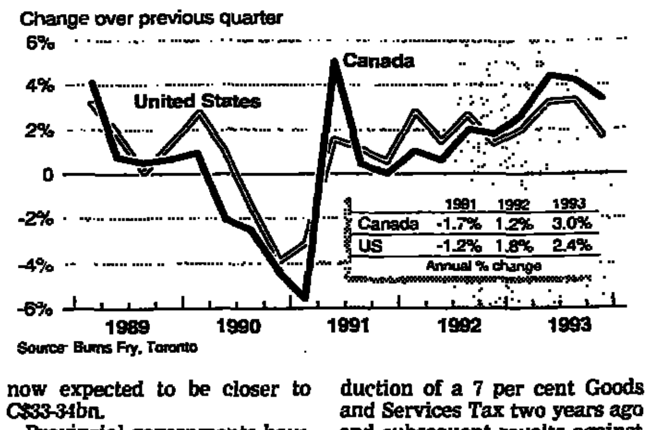
Profligacy during the last boom, especially in Ontario, has been compounded during the recession by a slump in tax revenues and heavier demands for government services, especially social welfare and unemployment insurance.

Bank of Nova Scotia estimates that public sector deficits now amount to about 8 per cent of national income, among the highest in the G7.

Local economists have nicknamed the central bank the "Bundesbank of the North"

The federal government has missed one deficit reduction target after another and will almost certainly fail to achieve this year's goal of a C$27.5bn shortfall. The final outcome is now expected to be closer to C$33-34bn.

Real GDP



Source: Burns Fry, Toronto

Provincial governments have held their fiscal reins even more loosely. According to Burns Fry, the Toronto securities firm, borrowing by the 10 provinces has surged from C$17bn in the fiscal year to March 31 1988 to an estimated C$33bn in 1992-93.

The provinces' combined borrowings overtook the federal government's for the first time last year. The public sector deficits have become a painful political headache. Canadians are already heavily taxed.

The uproar over the introduction of a 7 per cent Goods and Services Tax two years ago and subsequent revolts against higher municipal rates are signs that taxpayers' tolerance is wearing thin. On the other hand, the scope for paring government spending in the depths of a recession is limited.

If anything, pressure is now building on Mr Brian Mulroney, the prime minister, to loosen the purse-strings, especially with the general election drawing near in 1993. Although interest rates have come down a long way from their mid-1990 peaks, they remain unusually high after factoring in the slide in inflation.

The yield on long-term government bonds stood at 8.6 per cent in mid-November, giving a "real" interest rate of over 7 per cent.

The Bank of Canada has indicated in recent months that it is willing to allow the Canadian dollar to slide a little faster to accommodate a further drop in interest rates. The currency fell below 79 US cents in mid-November for the first time in five years, down from 84 cents in early September. Burns Fry predicts that the dollar could slide as low as 75 US cents by the end of 1993.

With policymakers having so little room for manoeuvre, economists are virtually unanimous that the upturn will be slow. Real growth in gross domestic product is expected to be around 1.5 per cent this year, compared to the 2.7 per cent forecast by Mr Donald Mazankowski, the finance minister, in his budget last February.

British Columbia enjoys robust expansion while Newfoundland struggles with a cod fishing ban

Next year's growth rate is unlikely to exceed about 3.5 per cent. The chances are slim that unemployment, currently at over 11 per cent, will return to single digits before late 1993.

The main engines for growth are expected to include exports, which will be spurred by the more favourable exchange rate and a recovery in the US; and housing, which will benefit from lower interest rates. Canada Mortgage and Housing Corp predicts that housing starts will rise to 179,000 units in 1993, from 166,000 this year.

The outlook varies widely from province to province. British Columbia, whose growth is compared by the business community to California in the 1950s and 1960s, is enjoying robust expansion as immigrants and investment stream in, and the forestry industry shows signs of revival.

Prospects in neighbouring Alberta depend largely on oil and gas prices, and the international grain market.

At the other extreme of the country (and the growth spectrum), Newfoundland is struggling to cope with a moratorium on cod fishing. About one in five Newfoundlanders is out of work, and the province's economy has shrunk by about 2 per cent this year.

Ontario and Quebec, the two most industrialised provinces and among those hardest hit by the recession, are expected to mirror the national picture, emerging only slowly and fitfully from the slump of the past three years.

KEY FACTS

Area .. 9,220,970 sq km (second largest country in the world)
Population .... 27 million (end-1991 estimate)
Head of state ....Queen Elizabeth II, represented by a governor-general
Currency ....Canadian Dollar (C$)
Avrg exchange rate: 1991 ......US$1 = C$1.1457; £1 = C$2.0271
Exchange rate November 30 1992 ....US$1 = C$1.286; £1 = C$1.9465

ECONOMY	1991	Latest[1]
Total GDP (US$bn)	588.6	n.a.
Real GDP growth (%)	-1.7	1.6[2]
GDP per capita (US$)	21,809	n.a.
Components of GDP (%)		
Private consumption	60.8	
Total investment	19.5	
Government consumption	20.8	n.a.
Exports	24.5	
Imports	-25.4	
Consumer prices (% change pa)	5.6	1.6
Ind. wage rates (% change pa)	4.8	3.6
Ind. production (% change pa)	-4.1	0.9
Unemployment (% of lab force)	10.3	11.3
Reserves minus gold (US$bn)	16.2	12.2
Narrow money growth (% pa)	3.5	9.9
Broad money growth (% pa)	7.8	5.8
Bank rate (% pa, end period)	7.67	8.82
Govt bond yield (% pa, avg)	8.11	8.08
FT-A index (% change over year)	+4.5	-8.0
Public external debt (US$bn, Dec)	70.1	n.a.
Current account balance (US$bn)	-25.5	-22.3[2]
Exports (US$bn)	127.5	n.a.
Imports (US$bn)	121.5	n.a.
Trade balance (US$bn)	5.9	n.a.
Main trading partners (1990, % by value)	Exports	Imports
US	75.0	64.6
Japan	5.5	7.0
UK	2.4	3.5
Germany	1.6	2.8
EC	8.1	11.5

[1] = 1992 figures. (Wages, Industrial Production - August; Reserves - September; Consumer Prices, Unemployment, Money supply growth - October; Interest rates - 27/11/92; FT-A index – % change from 1/1/92 to 27/11/92)
[2] = EIU estimates for 1992
Sources: IMF, World Bank, Datastream, Economist Intelligence Unit

Bernard Simon looks at the competitive weaknesses of the country's companies

Handicaps that are hard to overcome

THE slump in consumer demand and the longer jobless queues which have marked the present recession are arguably the least worrying part of Canada's economic problems.

While the business cycle is expected to turn gradually upward during 1993, Canadian companies will still be hobbled by more fundamental handicaps which, without corrective action, could keep living standards on the skids for years to come.

These structural weaknesses – which include inadequate research and development, poor worker training, adversarial industrial relations, high taxes and inter-provincial trade barriers – have come to be lumped under the heading of "competitiveness".

Professor Michael Porter of the Harvard Business School concluded in a report commissioned by the federal government last year that evidence, ranging from a weak base in machinery exports to high foreign ownership of Canadian industry, points to "an economy that shows limited signs of upgrading, and suggests that productivity growth – the critical driver of prosperity – may be increasingly difficult to achieve."

Views along the same lines have been aired *ad nauseam* in recent years. But concerted action to correct Canada's competitive handicaps has so far proved elusive.

Dr Sylvia Ostry, chairman of the Centre for International Studies at the University of Toronto, noted in a recent speech that "there seems to be in this country virtually no recognition in the general public and among many politicians of the need for a furnace to generate the 'warmth' for this kinder, gentler country to survive the wintry blasts of global competition."

Americans strive for excellence; Canadians put greater emphasis on equity and equality

Mr Michael Bloom, a researcher at the Conference Board of Canada in Ottawa, puts some of the blame on a difference in attitude between Canadians and Americans. While Americans aggressively strive for excellence, their northern neighbours put greater emphasis on equity and equality.

As Mr Bloom notes, Canada has no Harvard or Sorbonne among its universities. Instead, Ottawa and the provinces spend a large chunk of their budgets to ensure that uniform services, which meet "national standards", are accessible throughout the world's second biggest country.

Concern about Canada's eroding competitiveness is increasingly homing in on the country's schools and universities. At first glance, Canada should have one of the world's finest education systems. No government in the industrial world spends more on a pupil's pre-matriculation education. Teachers' salaries are 40 per cent higher on average in Canada than the US.

But Statistics Canada has estimated that some 28 per cent of Canada-born people, aged 16-24, are functionally illiterate and over 40 per cent are innumerate. Canadian students come near the bottom of the list among OECD countries in science and mathematics skills. Enrolment in post-secondary engineering and applied science courses has tumbled since the mid-1980s.

The list of possible explanations for this poor record is a long one. Canadian universities have an ultra-short academic year, with students normally starting classes in mid-September and writing their exams by the end of April.

School teachers enjoy the protection of a strong union movement, while many university lecturers are coddled by a system of permanent tenure.

The municipality has six school boards, catering for French and English-speaking children

In any case, Mr Bloom notes that many teachers are forced to spend more of their time in the classroom these days on social issues – such as Aids and drugs counselling, and violence in schools – at the expense of the academic syllabus.

Concern for equity and equality can conflict with pursuit of excellence. For instance, the municipality of Ottawa-Carleton has six different school boards, catering for French-speaking and English-speaking children from Protestant and Catholic backgrounds. No fewer than four departments in the Ontario provincial government have responsibility for some aspect of education.

Among the top priorities of the education reform movement is a drive towards national testing. The hope is that a comparison of the achievements of pupils from schools across the country will be a powerful spur to improving academic standards.

The provinces conducted a limited trial test of literacy and numeracy skills last June. The plan is to broaden the test to cover about 20,000 pupils at the end of the 1992/93 school year.

Sceptics question however, whether such products of negotiation and compromise are radical enough to give government, business and workers the jolt they need.

Canada's best hope of improving its competitiveness, they contend, is more likely to come from sharp external shocks, such as North American free trade, or another crunch in the natural resource markets on which the country has always depended for growth in the past.

Profile: BCE

Mercury link may be only a start

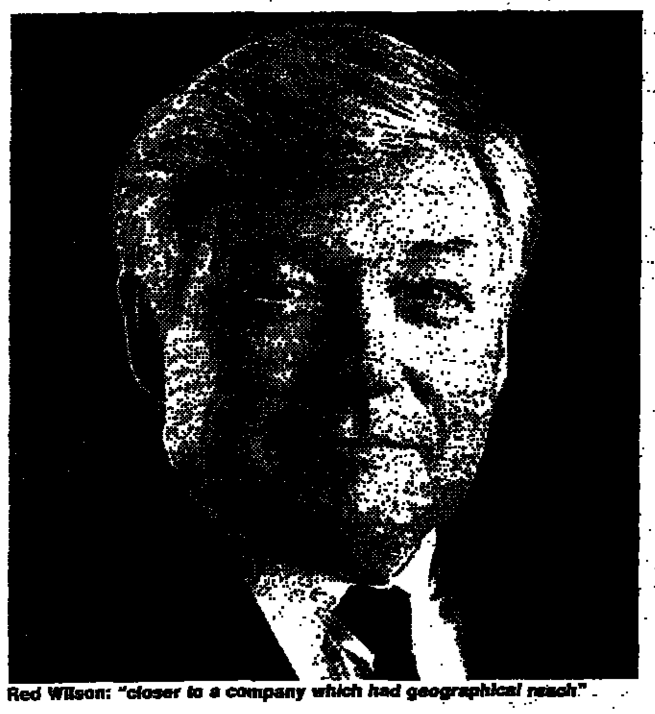
LIMITED growth opportunities and stiffening competition at home are driving many Canadian companies to broaden their horizons. Among the most prominent is BCE, the Montreal-based telecommunications and financial services group.

BCE's latest foray abroad was its purchase in mid-November of a 20 per cent stake in Mercury Communications, Britain's second-biggest telephone company. As part of the deal, Cable & Wireless, Mercury's parent, is to become a partner in BCE's cable TV business in the UK.

"We were interested in getting closer to a company which had geographical reach," says Mr Red Wilson, BCE's president. "I see it as the beginning of an alliance where, we hope, C&W and ourselves are going to have a lot to do in common in the future."

BCE already has a sizeable international presence through its 53 per cent stake in Northern Telecom, the telecommunications equipment maker. Thanks largely to its acquisition last year of Britain's STC, Northern now makes more than a fifth of its sales outside North America.

BCE itself is part of a consortium which set up Clear Communications, New Zealand's second phone company; one of its executives is Clear's general manager. The Canadian company owns 49 per cent of a fledgling digital telephone network in Moscow, and a subsidiary has cellular franchises in Mexico City and New Delhi.



Red Wilson: "closer to a company which had geographical reach"

BCE's international thrust is driven by the limited opportunities on its home turf. It is already Canada's biggest public company, with annual revenues of about C$20bn, and the only one to have posted net earnings of more than a billion dollars a year. Its cash cow, wholly-owned Bell Canada, has a virtual monopoly on phone services to the 15m residents of Ontario and Quebec, and has stakes in several other provincial telephone companies.

Bell's dominance of the domestic market makes further expansion difficult within Canada. At the same time, regulatory barriers which have protected provincial phone utilities from competition are gradually being lowered.

A rival long-distance service is currently being set up and cut-price resellers are gaining an ever bigger share of corporate telephone business. Mr Wilson says that Bell is earmarking a growing slice of its resources to marketing.

Getting a toehold in the international telephone business has not been easy. BCE's US partner pulled out at the last minute of a bid for a stake in Telefonos de Mexico; a bid with Bell Atlantic (no relation to Bell Canada) in the privatisation of Venezuela's phone company was also unsuccessful.

BCE hopes the alliance with Cable & Wireless will give it the long-sought springboard into the international telephone business. The chairmen and chief executives of the two companies plan to get together twice a year to explore opportunities.

They have yet to discuss specific joint ventures. But Mr Wilson says that both companies recognise that south-east Asia "is one part of the world where we can work together".

A senior Bell Canada man is to take over the reins of one of Mercury's divisions and Mr Wilson expects that half-a-dozen operating people will be seconded to Mercury at any one time. "We wanted to be sure we would be an active player in Mercury and not just an investor," he says.

BCE has laid the groundwork for its international telecoms thrust by retreating from other businesses. It expects to raise about C$650m before the end of the year as warrants on its remaining shares in TransCanada PipeLines are exercised. Another C$142m came recently from the sale of two US telephone directory advertising firms.

A wholly-owned trust company, Montreal Trust, will probably end up as part of a larger financial institution.

BCE's problem child remains an ill-advised investment which it made in a large property developer in the mid-1980s. It wrote off its 67 per cent equity stake in BF Realty (previously known as BCE Development) three years ago, but continues to have a debt exposure of over C$400m to the near-bankrupt company's principal subsidiary.

Bernard Simon

Adjusting to realities

Continued from previous page

issues, including the generous but costly unemployment insurance and social security systems. The opposition Liberals are at this stage an unknown quantity. The party is still in the throes of putting together an election platform, pitting a group of business-oriented young Turks against a more interventionist old guard.

In the two years since he was elected Liberal leader, Mr Jean Chretien has failed to galvanise the party. But a drive to put up some high-powered candidates for the next election and a flurry of organising at the grassroots are signs that the Liberals are desperately hungry to return to office after eight fractious years in the political wilderness.

The Liberals stand to gain more than the Conservatives from the emergence of the Alberta-based Reform Party and the Bloc Quebecois. Both regional groups have drawn the bulk of their support from former Tory voters.

Mr Preston Manning, the Reform Party's folksy leader, and the more fiery Mr Lucien Bouchard, who heads the BQ, have both succeeded in attracting strong support on their home turf.

As opinion polls now stand, these two parties plus the social-democratic New Democrats could garner enough seats between them to deprive either the Conservatives or Liberals of a majority government. Political observers talk darkly of the next election producing an unstable "Italian-style" parliament.

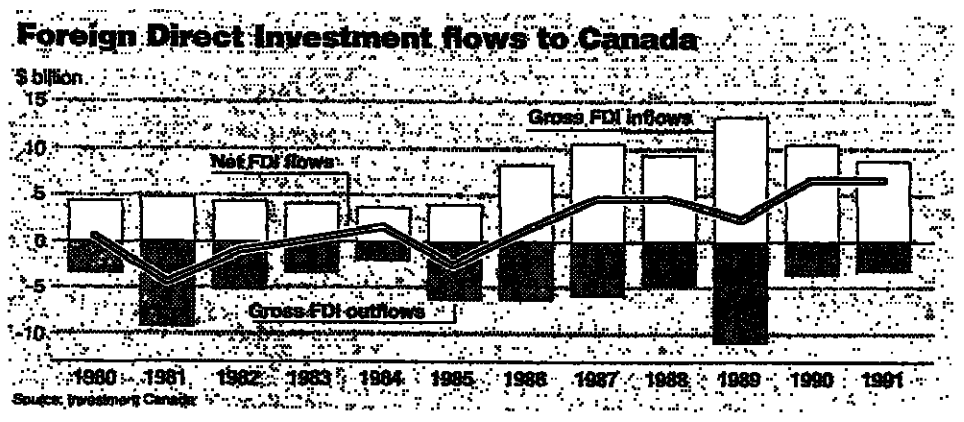
It would be a mistake, however, to cast this prediction in stone. As the referendum result showed, Canadian politics is in a fluid and unpredictable state. The one certainty is that the picture of Canada's future will be much clearer by this time next year.

Will new foreign investors be wooed if old ones move away?

There are some flies in the Nafta ointment

AS the drive towards an integrated North American market gathers pace, Canada's toughest challenge is to hang on to foreign investors with a presence north of the 49th Parallel, and at the same time attract new ones.

The elimination of customs duties under the 1989 US-Canada free trade agreement has led many US companies to look on Canada not as a foreign market with its own branch plants but as a part of their domestic operations. All too often, this has meant closing factories in Canada and serving Canadian customers from giant, low-cost plants south of the border.



The trilateral North American free trade agreement (Nafta), which is due to take effect in January 1994, will also pit Canada against Mexico in wooing new investment, especially from the US.

Professor Alan Rugman, of the University of Toronto's faculty of management, concluded in a recent paper that the terms of the Nafta bring only "modest actual gains in terms of a liberalisation of the North American investment regime". But as Prof Rugman put it, "American investors considering investments outside the US now have two countries to choose from which both ensure easy trade access to the US market."

Of the three countries, Canada has most to lose. It has a small, widely dispersed market, most of it within easy reach of US factories. High wages make it likely that labour-intensive industries would choose Mexico or the southern US.

Canadian business is also burdened by high taxes. According to a recent OECD report, tax revenues have soared from 31.6 per cent of gross domestic product in 1980 to 39.4 per cent in 1991, higher than either Britain or Germany, and well above the US.

The Canadians are confident, however, that they have much to offer. Mrs Jean McCloskey, president of Investment Canada, the federal investment promotion and review agency, observes that the relatively high wages, taxes and other costs of operating in Canada do not necessarily mean low profits.

Canada's advantages include a skilled workforce, first-rate infrastructure and a sophisticated market, not to mention the public health-care system for which a sizeable chunk of taxes is earmarked.

The country's abundant natural resources continue to attract many companies. Several international mining groups, for instance, have recently joined a stampede for diamonds in the Northwest Territories. Foreign investors have also been active buyers of oil and gas properties in western Canada.

But Canada's best hope for the future may lie in more sophisticated businesses. Investment Canada has targeted a handful of sectors, including computer software, hazardous waste, marine technology and optics. It is about to add medical devices, telecommunications and water treatment to the list.

The agency has identified about 700 Canadian companies in these fields which are interested in joining forces with a foreign partner. Recent successes include a decision by Ericsson, the Swedish telecommunications group, to locate its cellular software development centre in Montreal, in the face of competition from the company's US and Mexican subsidiaries. Plant Genetic Systems of Belgium plans to invest a total of C$10m in Saskatchewan to develop a strain 87.

With Canada's unemployment rate at over 11 per cent foreign investors can expect a warm welcome from federal and provincial governments. Interest-free loans smoothed the way for both Ericsson and the UK's Rolls-Royce, which recently decided to produce an industrial version of one of its turbofan aero engines near Montreal.

Screening by Investment Canada is now limited to direct purchases of businesses with assets of more than C$5m, or indirect acquisitions (those where ownership of a Canadian business changes as a result of the acquisition of its foreign parent) involving assets of more than C$50m.

Under the US-Canada free trade pact, however, the threshold for direct US investors has been raised to C$150m. Indirect acquisitions by US buyers are now usually exempt from review. Indeed, since its formation in 1985, Investment Canada has never turned down a proposal.

Nonetheless, foreign investors in some high-profile, politically sensitive sectors need a good deal of agility and patience if their plans are to come to fruition.

Foreign control in the "cultural" sector, which includes publishing, films, broadcasting and music, is especially frowned on. Public opinion – and thus political decision-making – is also sensitive to foreign involvement in financial services and airlines.

The recent experience of Dallas-based American Airlines shows, however, that hard times have softened Canadian attitudes. American ran into stiff opposition from trade unions and politicians when it proposed earlier this year to buy 25 per cent (the maximum allowed by law) in Canadian Airlines International of Calgary. The opposition evaporated, however, when it became clear that the alternatives were either a costly merger for Canadian with Air Canada or bankruptcy.

In spite of the improved climate for foreign investment, there are some clouds on the horizon. One is a possible change of government after the federal election to be held next year.

The opposition Liberal party has yet to spell out a clear investment policy. Under Mr Pierre Trudeau, the former prime minister, the Liberals spearheaded a plethora of new curbs on foreigners in the 1970s and early 1980s.

A group of pragmatists within the party is pushing hard for a less nationalistic platform. Significant new restrictions are unlikely, at least in the early years of a Liberal government. But with Ottawa and the provinces facing growing budget deficits, higher taxes may be on the way, no matter which government is in office.

Bernard Simon


The trading floor of the Toronto stock exchange, which accounts for about 75 per cent of shares traded in the country (photograph: Glyn Genin)


The futuristic City Hall in Calgary, Alberta, dwarfs the original building, in the bottom left of the picture (photograph: Glyn Genin)

Hundreds of barriers

THE roughly 500 trade barriers which impede the movement of goods and services between Canada's 10 provinces range from the familiar to the obscure. They include:

- 10 marketing boards which control the production of eggs, chickens, turkeys and industrial milk;
- a plethora of provincial quality and product standards;
- varying regional and industrial assistance programmes;
- differing safety restrictions, weight and dimension requirements, licensing procedures, and fuel and sales taxes for trucks;
- varying standards for trucks used to transport livestock;
- varying crop insurance and emergency crop pricing programmes;
- margarine colouring restrictions and blueberry maggot inspection procedures in Ontario;
- varying tax classifications of market garden and greenhouse operators;
- varying bee and honey equipment regulations.

Source: Legislative Research Service paper

COMMERCIAL TIES WITH THE US

Free trade is no longer such a hot potato

THE US-Canada free trade agreement (FTA), now nearing its fourth anniversary, has already had a profound impact on commercial ties between the world's two largest trading partners.

Measuring that impact with any degree of precision is impossible. The first three years of the FTA have coincided with a recession, volatile exchange rates and low commodity prices, all of which have also helped alter trade flows and investment strategies.

But a recent study by Toronto's CD Howe Institute concluded that "the facts so far are more consistent with the optimistic scenario of free trade supporters than with the views of detractors."

The supporters have taken heart from rising two-way trade, especially in products liberalised by the agreement, as well as many examples of new US investment in Canada.

Evidence of the FTA's popularity in the business community is the mountain of applications which have poured into Ottawa and Washington for two rounds of accelerated tariff cuts which have been negotiated since 1989 on two-way trade of some C$8bn a year. A third – and final – round will come into force early in 1993.

Critics of the FTA, chiefly the labour movement, point to hard-pressed Canadian industries, such as furniture, carpets, textiles and processed foods, which are struggling to compete against rising US imports.

The FTA has been blamed for a rash of plant closures in Canada. Some US companies have discovered that, without customs tariffs to consider, they can service the Canadian market more efficiently from plants south of the border. Some Canadian manufacturers, especially in the automotive parts industry, have also moved to the US.

One undisputed benefit of the 1989 pact, however, is its innovative dispute settlement mechanism. The new system of referring disagreements to binational review panels has taken much of the political heat out of anti-dumping and countervailing duty issues.

Canadian trade officials are also convinced that the binding arbitration system has made the US Department of Commerce and International Trade Commission more careful in applying trade-remedy laws.

A total of 33 panels has been set up over the past three years, the bulk of them to review anti-dumping and countervailing duty cases involving products as diverse as softwood lumber, magnesium, pigs and paving machinery.

A relatively small number of Canadian exporters and investors will benefit from improved access to Mexico. Five key areas have been identified where Nafta differs from the earlier agreement

Five of the panels, set up under Chapter 18 of the FTA, have dealt with intractable government-to-government disputes. They have included a Canadian challenge on the US interpretation of rules of origin for cars assembled in Canada, and a US complaint against Canadian landing rules for west coast salmon and herring. Two Chapter 18 cases, involving farm subsidies and UHT milk standards, are pending.

The next big step in US-Canada trade relations will be the expansion of free trade to Mexico under the North American free trade agreement (Nafta), which is due to come into force on January 1 1994. The Mulroney government expects to present enabling legislation to parliament in early 1993.

While public opinion in Canada remains lukewarm on free trade, the Nafta agreement is not as hot a political potato as the FTA was four years ago. The opposition Liberal party, which strongly opposed the FTA, has come around to much the same view as US President-elect Bill Clinton – that Nafta has flaws, but they are not so serious that the whole agreement should be ditched.

Canada's goals in the Nafta negotiations were largely defensive. Only a relatively small number of Canadian exporters and investors will benefit from improved access to Mexico. Ottawa was more anxious to preserve (and if possible, improve on) gains made in the FTA, and to ensure that Canada would remain attractive as a springboard for investors into the North American market.

Canadian officials identify five key areas where Nafta differs from the FTA:

□ clearer rules of origin, which the Canadians expect will avoid a repetition of the dispute earlier this year over the North American content of Honda Civic cars made in Canada.

□ the extension for two years, to 1996, of duty drawbacks on inputs for motor vehicles made in Canada and then shipped to the US. Permanent duty drawback concessions will apply to products which are shipped from one Nafta country to another but do not meet North American rules of origin. Under Nafta, companies will be entitled to a refund of the customs duty on either the input or the finished product, whichever is lower.

□ liberalisation of cross-border transport. Under Nafta, trucks will be allowed to pick up loads in all three countries.

□ looser government procurement rules. Among the US business which will be opened to Canadian companies are services, construction and parastatals such as the US Army Corps of Engineers. Canadian officials estimate that Nafta opens as much as C$50bn of new US government business to Canadian bidders.

□ Expanded intellectual property rights, notably protection of patents and copyright in Mexico.

Despite the improvements, Nafta still leaves numerous gaps in commercial ties between the three countries. Subsidies and anti-dumping rules, which the FTA negotiators hoped would be resolved in the multilateral Uruguay Round, will remain contentious issues.

The Canadians are also nervous that many Mexican officials will find it difficult to adjust to the disciplines required by a detailed international trade agreement, especially one which overrides domestic laws.

Within Canada, pressure is likely to grow on Ottawa to provide more generous assistance to industries and workers hit by intensifying competition from US and now Mexican suppliers. The CD Howe Institute concluded that "the painful restructuring that has occurred in certain sectors under the FTA suggests that the issue of adjustment programmes should be revisited".

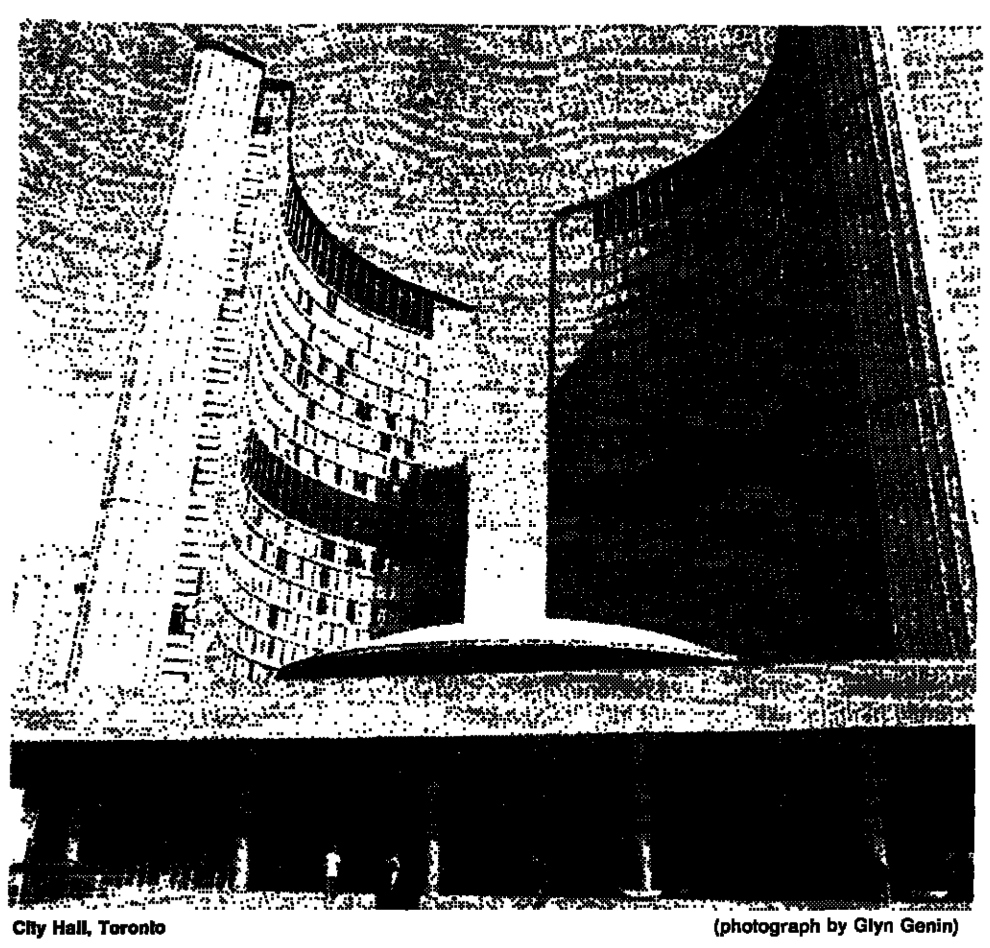
Bernard Simon

TRADE WITH THE US (C$bn)

	1988	1989	1990	1991	1992*
MERCHANDISE					
Total Exports	102.6	105.7	110.5	107.6	59.7
Total Imports	88.8	94.0	93.7	93.7	51.9
Balance	13.8	11.7	16.8	13.9	7.8
NON-MERCHANDISE					
Receipts	21.7	19.9	19.6	20.2	9.4
Payments	34.5	35.0	39.0	38.9	20.3
Balance	-12.8	-15.1	-19.4	-18.7	-10.9
TOTAL	247.6	254.6	262.8	260.4	141.3

*To June

Source: STATISTICS CANADA



City Hall, Toronto (photograph by Glyn Genin)

Profile: MAPLE LEAF FOODS

US joint venture

A CLEAR pattern runs through the shake-up which Hillsdown Holdings has given Maple Leaf Foods in the two and a half years since the British conglomerate bought control of Canada's biggest food processor.

"From day one in restructuring this business, we looked at it to be cost-competitive on a North American basis and not on a Canadian basis," says Mr Art Devlin, a senior vice-president who is the only senior manager to have survived Hillsdown's medicine.

Known as a lumbering corporate dinosaur in its former incarnation as Canada Packers, Maple Leaf is now blazing the trail which many other Canadian companies will have to follow if they are to survive and prosper in a more competitive environment.

In a strategy typical of many other industries, Maple Leaf's US competitors no longer treat Canada as part of their foreign operations but as an extension of their domestic market. The US food companies are stepping up their drive into Canada.

Imports of prepared meats and other products have risen markedly as tariff barriers are lowered under the 1989 US-Canada free trade agreement. As Mr Devlin puts it, "the economic borders are disappearing. We tend to think of our businesses now as geographic regions running north-south, rather than east-west."

Maple Leaf sold its dairy and edible oils businesses after realising that they were too small to go head-to-head against the giants of the North American industry. Beef-slaughtering became less attractive when Cargill put up a huge new facility in Alberta, and the provincial government started propping up smaller, inefficient producers.

Charles Bowen: expansion south of the 49th Parallel is a priority

A large broom has been swept through Maple Leaf's remaining businesses – such as poultry, prepared meats, groceries, milling and baking. It has closed some plants, combined production at others and, in a few cases, made acquisitions to achieve economies of scale.

Stiffer competition and the recession have not left the company unscathed, however. Earnings per share from continuing operations edged up by a modest 5 per cent in the first six months of 1992. But the Canadian company is at least lean enough now to start holding its own against the US giants, not just in Canada, but also on their own turf.

Significantly, when Hillsdown picked a new chief executive officer for Maple Leaf last April, its choice was Mr Charles Bowen, who has spent much of his career with General Foods of the US. Mr Bowen's priorities include expansion south of the 49th Parallel.

A milestone in the cross-border strategy was a 50-50 joint venture set up earlier this year with ConAgra, the US food processor. Maple Leaf has contributed its entire milling and baking business, while ConAgra has chipped in a large mill in Buffalo, New York.

ConAgra manages the venture, enabling the Canadian businesses to benefit from the economies of scale of ConAgra's payroll, data processing and purchasing departments. For its part, ConAgra has stepped up its purchases from the Canadian flour mills. Maple Leaf is now examining the feasibility of expanding the partnership to other products, and perhaps forming similar ventures with other US companies.

It already exports about a third of its fresh pork output to the US. Bread, pasta, frozen dough, prepared meats and animal feeds are among other products which are finding a market south of the border. Rather than take on heavyweight US brands, however, Maple Leaf is putting the emphasis on private-label business where it can compete on price and quality without a hefty marketing budget.

With no debt on its books, Maple Leaf can afford a substantial acquisition in the US. But here, too, the Canadian company is aware of its limitations. Rather than trying to be a national brand-name player, it is looking for regional, perhaps family-owned, companies.

What Maple Leaf would most like to find is a little-noticed company with a franchise as strong and a management as weak as Canada Packers had when its new British shareholders came on the scene two years ago.

Bernard Simon

Robert Gibbens on prospects for the country's only French-speaking province

Quebec seeks to restore its vitality

WITH the constitutional referendum behind it, Quebec is marshalling all its energies in the hope of restoring the economic vitality of the 1980s.

Most voters in Canada's only French-speaking province are well satisfied that Quebec was among six provinces which voted No in the October referendum. But now they want the constitutional issue shelved, pending next year's federal election.

"I was very disappointed Canada did not grasp the opportunity to accept the Charlottetown package," says Mr Robert Bourassa, Quebec's premier. "But Quebec's 56 per cent No clearly was not a vote for independence – that's crucial. Everybody now agrees we must move on to other urgent matters and try to spur our lagging economy."

Quebec and Ontario, with two-thirds of Canada's 26.5m population and most of its manufacturing base, have been most severely affected by the recession. Sagging primary product prices, especially for forest products and metals, declining construction and lower protective tariffs have sharpened the pain for Quebec. Only recently have lower interest rates and a lower Canadian dollar brought relief.

Quebec's unemployment persists at an average 12.5 per cent, with pockets of 20 per cent in some areas. The property crisis rivals Ontario's and retailing has been decimated. Provincial and municipal deficits have swollen in the past two years, taxes are up and services are down.

Provincial and municipal deficits have swollen, taxes are up and services are down

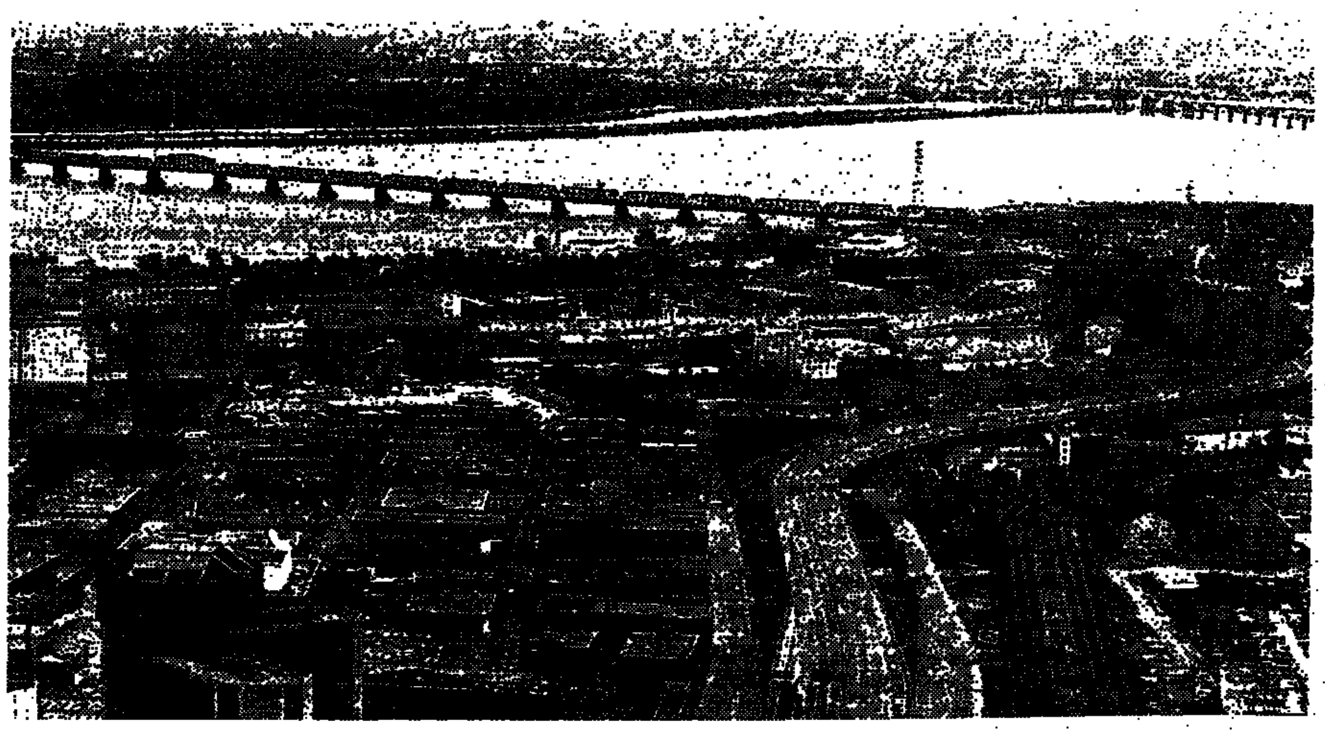
Signs of US recovery are encouraging, says Mr Bourassa, but he feels that any stimulus from the Clinton administration's economic policies will not be felt in Quebec before 1994. The pace of recovery may be slow.

Quebec urgently needs a stable dollar and lower interest rates to revive profits, encourage investment and create jobs, he says. It remains fully open to North America and the world for trade and investment.

The government is trying to forge a new partnership with business to meet the challenge of market globalisation, mobility of production and growing competition.

"Restructuring of Quebec's economy is in full swing and we must create the new jobs in the high value-added sectors," says Mr Pierre Pettigrew, a management consultant helping companies to cope with the challenges of the 1990s.

"Government must become more competitive and entrepreneurial and help to find partners for Quebec's growth sectors in other provinces and abroad. Montreal must become a great North American city again. We have a chance to break with the past."

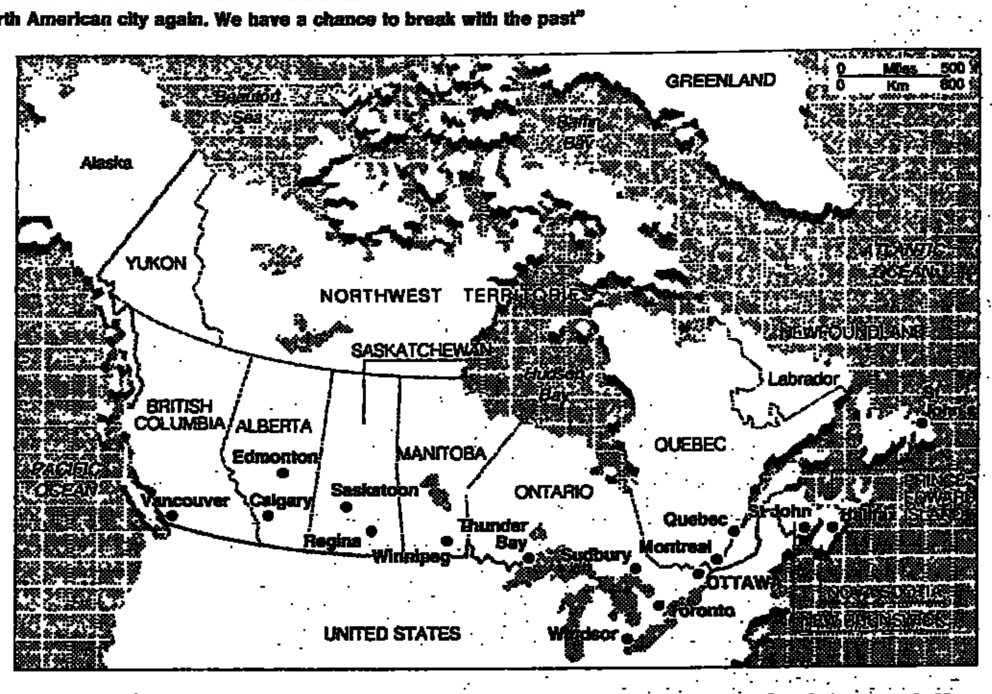


"Montreal must become a great North American city again. We have a chance to break with the past"

The government wants to use the $42bn Caisse de Depot, the investment arm for the Quebec Pension Plan, to speed the transition and foster growth. Other business groups, from the Desjardins financial services giant, the commercial banks and industry associations to Reseau du Capital de Risque, a group formed to expand channels for venture capital, are joining in.

The private sector is confident that many companies can compete globally, especially in the US. More than 70 per cent of Quebec's exports go to the US. Quebec's comparative advantage in some sectors can be used to foster foreign investment and exports, says Mr Charles Perrault, president of Schroder Investments Canada and a director of Northern Telecom.

A German-led consortium brought the US $1bn Alouette aluminium smelter on stream at Sept Iles this summer on time and on budget. According to Mr Perrault, "the economics may rest on power and a year-round port, but it was the young and well-educated workforce that made the smooth start-up possible. Quebec has come a long way in 30 years and education has dramatically changed the outlying regions."



The government plans improvements to industrial training, with the help of a new agreement with Ottawa. In the longer term, secondary education is to be revamped to adapt the workforce to the 1990s.

Mr Bourassa has promised a more competitive corporate tax burden, but business wants heavy cutbacks in the civil service to lower the high cost of government. Public sector pay, long a strong inflationary factor, has been capped, but business complains that the government has lost control of costs in the industrial health and safety system. These are borne mainly by employers.

Business complains that government has lost control of costs for health and safety

Quebec has five or six competitive sectors with good growth prospects: aerospace and transport equipment, pharmaceuticals, telecommunications and information technology, power generation equipment, metals and food processing. The province is promoting these with research and development programmes, tax credits, loans and infrastructure projects. All draw heavily on greater Montreal's skilled manpower – the region contains half of Quebec's total population of 6.5m and has a full range of financial and legal services in French, English and several other languages.

The leaders include Bombardier, BCE, Merck Frosst Canada, CAE Industries, Alsthom, Alcan Aluminium and Noranda, all international companies. Mr Gerard Tremblay, the industry minister, is also focusing on petrochemicals, textiles and clothing, pulp and paper, environmental products and some cultural industries, encouraging initiative from the regions.

Mr Jacques Parizeau, leader of the separatist Parti Quebecois, has attacked the government's ability to shape effective policies for recovery. Mr Parizeau, whose party is trying to capitalise on the No vote in the referendum, argues that the federal government retains too many levers.

He has promised a referendum on sovereignty if he can win the next provincial election, which is likely to be held in 1994. On the other hand, even the PQ knows that Quebec cannot isolate itself.

The language issue is confined to Montreal because of its pluralistic make-up. The government would like to ease a contentious ban on English-language exterior commercial signs late in 1993. But this will be done only if francophones, accounting for 75 per cent of the city's 3m population, feel secure that they will be able to continue to live and work in a French environment.

Theresa Byrne on doing business in Canada

Protectionism rules in the provinces

CANADIANS still talk about the incident in Aylmer, Quebec, in the mid-1980s.

A long muddy trench lay beside a road where workers had installed and then demolished a new brick pavement. There was nothing wrong with the sidewalk. But in Quebec, pavement materials must be made in Quebec – and the bricks for this pavement had come from Ontario.

The contractor was forced to rip up and replace the offending stones.

The Aylmer story is still cited to illustrate the absurdities of doing business in Canada. At a time when barriers to international trade are being dismantled, Canadian industry continues to struggle with a plethora of inter-provincial trade barriers. Even the federal government fought unsuccessfully earlier this year to include a ban on provincial trade barriers in the constitutional reform package.

"What you're really talking about is how governments use their power," said Mr Robert Knox, director general of policy services in the department of industry, science and technology.

The provinces are barred from imposing customs tariffs under Section 121 of the Constitution Act 1867, which says: "All articles of the Growth, Produce, or Manufacture of any one of the Provinces shall ... be admitted free into each of the other Provinces."

But non-tariff barriers have proliferated over the years. In a 1991 study, the Canadian Manufacturers' Association (CMA) lists a succession of barriers which hamper the free movement of goods, services and people. For example, a manufacturer of diesel buses was awarded a contract to supply vehicles to a Quebec municipality, but only on condition that the Ontario production facilities be moved to Quebec. This duly happened, displacing several hundred Ontario workers.

Other obstacles to trade among the 10 provinces and two territories include provincial marketing boards, different licensing requirements for lawyers and doctors, and subsidies to attract investment.

The CMA estimated the provinces have erected about 500 such barriers at a cost to the economy of more than C$6bn a year. The CMA called for a progressive elimination of the barriers by 1993, but now accepts that the process will take much longer.

"Lack of political will, based on people maintaining a very parochial and short-sighted attitude," has hindered progress, says Mr Stephen Van Houten, the association's president. Business leaders acknowledge that liberalising trade would result in plant closures and lost jobs in the short term. But they are confident that it would have substantial long-term benefits.

Provinces are barred from imposing customs tariffs but non-tariff barriers proliferate

The issue of inter-provincial barriers has been tackled on and off since a Royal Commission on Dominion-Provincial Relations noted in 1940 that "it is probable that there is no single province so situated as to gain on balance by the existence of local protectionism in Canada".

A more recent thrust began in 1987, with the formation of a committee of federal and provincial ministers on internal trade. It was charged with identifying barriers, and working with industry to reduce and remove them through negotiation and mediation.

Initially, it set out to tackle three areas: government procurement, liquor marketing and transport regulation. A little progress has been made. In November 1991, all governments approved an agreement on government procurement which will eliminate preferential treatment on most purchases of more than C$25,000.

The new system, which is to be phased in by 1996, does not cover services or construction, nor does it include purchases for crown corporations, municipalities, schools and hospitals.

An agreement on beer was implemented earlier this year. Under the old rules, brewers could normally sell their beer only in provinces where it was brewed. In November 1992, agriculture ministers agreed to eliminate technical rules, such as different meat and vegetable grading standards. So many regulations are involved that eliminating them could take up to five years.

Newfoundland, Nova Scotia, New Brunswick and Prince Edward Island have agreed among themselves to allow companies from all four provinces to bid on most government contracts in the region. On a national level, the current priority is to bring down procurement barriers in services and construction.

But the provinces are now taking a different approach: Instead of trying to eliminate one barrier at a time, they are now devising a common set of standards and principles to which all provinces would adhere. In the meantime, Mr Van Houten plans to continue lobbying against the patchwork of barriers that remain. "Hope springs eternal," he says.

LONDON STOCK EXCHANGE

Firm close after early loss reversed

By Terry Byland,
UK Stock Market Editor

A SUDDEN revival of confidence in the UK stock market yesterday afternoon reversed early falls in share prices and put the market back on the bull tack. A recovery in stock index futures provided the trigger for the upturn in equities but sentiment was also encouraged by favourable reports from US Purchasing Managers.

In early trading, a dull trend in the US dollar restrained the *international blue chips* and the FT-SE Index sagged by 8.8 points. But trading volume was very slow in the first couple of hours of the trading session.

The turn came when the December contract on the FT-SE Index found support again and re-established a premium after the weakness of the past two sessions. Share prices quickly moved higher, and trading volume increased as ground was recaptured.

The market closed virtually at the day's best, with a gain of 15.3 taking the FT-SE Index to 2,769.8. Seaq volume finally totalled 605m shares compared with 426.7m on Monday when retail or customer business fell away to only £879.6m; this retail figure represents a fall below the daily averages of around £1bn recorded steadily since Britain quit the ERM in mid-September.

Traders commented that the market's volatility reflected its underlying confidence for the near term. While few strategists wanted to be drawn on prospects for favourable news from this morning's meeting at the Bundesbank – news that a press conference has been arranged failed to stir excitement – but there are still some hopes that domestic interest rates could be trimmed by at least half a point before the end of the year.

The best news of the day came from across the Atlantic, when the US National Association of Purchasing Management (NAPM), in its semi-annual economic report, said that the outlook for US retail sales was the brightest for three years. The past fortnight has seen the London market responding readily to indications of economic improvement in the US.

By the close, the internationals were mostly firmer on the day, although, with the Dow Average down 1.90 in London hours, support from New York was very selective. One Far Eastern house active in London has urged clients to "Buy the Footsie, sell the Dow", adding that the UK is a likely switch for US equity investors now that the near term currency depreciation of the dollar seems to be over. However, a poor exception among blue chips yesterday was ICI, still out of favour with the UK investment community.

A sharp cut in UK petrol prices by BP caused some surprise but strategists were unwilling to read too much into the move, in terms of benefit either for the consumer or industry in general.

Retail and store issues, regarded as the sector likely to show the first signs of benefit from economic recovery, continued to move ahead in modest trading. Brewery stocks were in better form.

But the best gains came in sectors which are deemed to have suffered over-severely as the stock market has slowed down over the past few sessions. Water stocks came in for renewed buying.

A steadier trend in the Hong Kong market helped those UK stocks which have been vulnerable to shocks from this direction.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	15	488	−18
ASDA Group	15,000	55	+½
Abbey National	3,500	354	−4
Albert Fisher	1,500	56½	−½
Allied-Lyons	1,100	643	+4
Amstrad	2,300	25	+1
Anglian Water	1,100	473	+6
Argos	911	287	−2
Argyll Group	4,900	405	+6
Arjo Wiggins	4,300	158	−4
Ass. Brit. Foods	401	465	
Ass. Brit. Ports	156	330	
BAA	880	794	+3
BAT Inds.	4,300	975	+11
BET	4,700	83	
BICC	5,800	300	+13
BOC	350	787	+8
BP	8,600	224	−4
BPB Inds.	2,300	187	+1
BT	6,800	401	−2½
BT New	4,100	236	−5
BTR	2,300	515	−1
Bank of Scotland	2,300	123	+3
Barclays	5,300	384	+4
Bass	3,600	611	+9
Berisford Intl	778	15½	−½
Blue Circle	1,800	170	−4
Booker	1,000	370	+6
Boots	1,000	534	+6
Bowater	573	470	−4
Brit. Aerospace	739	140	−1
British Airways	3,600	279	+4
British Gas	4,400	270½	−3½
British Land	149	182	+1
British Steel	2,200	65¼	−1
Bunzl	233	106	
Burmah Castrol	718	662	−3
Burton	9,600	62½	−½
Cable & Wire	2,100	654	+12
Cadbury Schweppes	1,300	463	+6
Calor Group	614	217	−1
Carlton Comms.	3,800	717	−2
Coats Viyella	1,800	214	+1
Comm. Union	186	596	+2
Cookson	1,700	175	+1
Courtaulds	768	560	+8
Dalgety	770	488	−2
De La Rue	205	848	−7
Dixons	448	289	+5
Eastern Elect.	1,300	401	−2
East Midland Elec.	2,600	406	+1
Eng China Clays	611	445	−1
Enterprise Oil	401	447	−9
Eurotunnel Units	72	345	
FKI	3,600	102	−1
Fisons	2,800	224	+2
Forte	2,800	166½	−1
Gen. Accident	413	583	−4
General Elect	3,000	281	
Glaxo	4,100	823	+4
Glynwed Intl.	180	231	−1
Granada	1,800	341	+2
Grand Met.	4,800	435	+11
GUS A	482	1688	+21
GRE	604	175	
GKN	1,200	417	+2
Guinness	2,400	585	
HSBC (75p shs)	8,000	479	+15
Hammerson 'A'	577	281	−3
Hanson	11,000	223½	+2½
Hanson Warrants	2,000	18½	+¼
Harrisons Crosfield	1,000	148	−1
Hillsdown	1,800	117	
IMI	317	253	+2
ICI	1,600	1016	−9
Inchcape	784	486	+8
Kingfisher	1,100	583	+6
Kwik Save	169	788	+13
Ladbroke	4,800	196	+8
Land Securities	1,100	417	+1
Laporte	187	619	+1
Legal & General	3,600	423	+14
Lloyds Abbey	432	395	+8
Lloyds Bank	848	489	
LASMO	3,800	154	−8
London Elect.	118	435	
Lonrho	1,300	74	+1
Lucas	359	133	−5
MB Caradon	338	280	−1
MEPC	359	336	+1
Marley	1,300	473	−1
Marks & Spencer	3,200	333	+3
Midlands Elect.	102	486	−1
NFC	2,000	284	+2
NatWest Bank	1,300	386	+5
National Power	1,300	279	+2½
Next	5,400	136	+1
North West Water	629	477	+4
Northern Elect.	159	455	−2
Northern Foods	933	278	
Norweb	57	462	−2
Pearson	519	377	+10
P & O	2,000	480	−2
Pilkington	5,200	83	+3
PowerGen	919	278½	+2½
Prudential	4,400	284	
RHM	887	265½	+4½
RMC	29	613	
RTZ	854	655	+10
Racal	2,300	157	+4
Rank Org.	831	684	+8
Reckitt & Colman	861	559	+1
Redland	1,400	365	−2
Reed Intl.	2,800	621	+8
Rentokil	995	188	−3
Reuters	640	1355	+5
Rolls Royce	3,400	101	−1
Rothmans	739	685	+15
Ryl Bk Scotland	13,000	187	−1
Royal Insurance	6,400	265	+5
Saatchi	107	148	
Sainsbury	1,300	542	+5
Scottish & New	1,500	425	+12
Scot. Hydro-Elect	986	250	+4
Scottish Power	2,600	281	+2
Sears	5,900	105½	+2½
Sedgwick	5,200	145	−1
Seeboard	384	442	−2
Severn Trent Water	6,800	452	
Shell Transport	3,000	545	+3
Siebe	8,200	394	+7
Slough Ests	118	142	
Smith (W H) A	618	486	+5
Smith & Nephew	3,000	160½	
SmKl Beecham	2,100	821½	+5½
SmKl Beecham Uts.	1,000	483	+8
Smiths Inds.	398	352	+4
Southern Elect.	104	438	+1
South Wales Elect.	216	507	
South West Water	1,100	494	+3
South West. Elect.	118	443	−1
Southern Water	46	454	+3
Standard Chartd.	739	523	+13
Storehouse	9,600	184½	+4½
Sun Alliance	557	330	+1
T&N	1,100	157	−1
TI Group	3,700	296	−7
TSB	1,400	145	+1
Tarmac	540	96	−½
Tate & Lyle	1,200	388	−1
Taylor Woodrow	2,300	62	−2
Tesco	5,400	257	+3
Thames Water	1,100	487	+2
Thorn EMI	827	925	−2
Tomkins	3,500	238½	+7½
Trafalgar House	407	84	
Unigate	727	282	−1
Unilever	1,900	1058	+8
United Biscuits	472	355	−1
Utd. Newspapers	744	489	+1
Vodafone	2,000	416	+6
Warburg (SG)	354	820	+4
Wellcome	602	1033	+11
Welsh Water	15	523	
Wessex Water	545	568	+2
Whitbread 'A'	507	455	+3
Williams Hldgs.	1,200	306	−1
Willis Corroon	993	177	−2
Wimpey	1,800	97	+2
Wolseley	1,400	605	−4
Yorkshire Elect.	80	478	+1
Yorkshire Water	44	518	+6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

Account Dealing Dates

First Dealings:	Option Declarations:	Last Dealings:	Account Day:
Nov 30	Dec 10	Dec 11	Dec 21
Dec 14	Dec 30	Dec 31	Jan 11
Jan 4	Jan 14	Jan 15	Jan 25

*New time dealings may take place from 8.30am two business days earlier.

Legals helped by US

A POSITIVE meeting on Monday evening between Legal & General (Legals), the insurance group, and Morgan Stanley, one of the most influential of the US investment banks, was the trigger for an outstanding performance by L & G shares.

The shares ended a busy session 14 higher at 423p, a rise of 3.4 per cent against a 0.6 per cent gain in the Footsie and a generally lack-lustre showing by the rest of the insurance sectors.

Morgan Stanley's insurance specialist, Mr Youssef Ziai, said L & G had indicated that the domestic mortgage indemnity problems that have dogged L & G as well as other UK insurance groups had been addressed and that there was now some light at the end of the tunnel.

Mr Ziai also said it was encouraging that L & G's market share in life and pensions had continued to pick up, rising from around 3½ per cent in the first quarter of the year to 3.9 per cent by the third quarter, with a figure of 4.5 per cent now in prospect.

The US investment bank did not alter its profits expectations for L & G but emphasised the 12 per cent discount to net asset value and the possibility that the group may nudge up the final dividend.

Forte doubts

Reversing its initially guarded support for Monday's disposal of Gardner Merchant by Forte, the stock market began to show misgivings yesterday when several brokers hinted that they were considering downgrading profit forecasts in the hotel group. Criticisms expressed were that the deal could ultimately prove dilutive and that Forte should have taken the extra cash rather than retain a stake in the new venture.

With hotel trading expected to make only a slow recovery, earnings growth may be restricted and some believe the hotel group's dividend to still be at risk. The shares slipped a penny to 166½p. County NatWest was recommending a switch out of Forte and into Ladbroke, the shares jumping 8 to 196p. UBS Phillips and Drew is also forecasting the stock to be one of its 10 star performers in 1993.

TI hurt

Engineering company TI Group registered one of the largest falls in the aerospace-related sector after the news that North West Airlines of the US had cancelled orders for 74 aircraft manufactured by the European Airbus consortium.

Analysts said the news would hit TI through its Dowty Group subsidiary, which was acquired after a hostile bid earlier this year. It makes the landing gear on the aircraft.

The shares responded by bucking the strong market trend and closed 7 lower at 296p, after trade of 3.7m. Mr Chris Avery at Smith New Court said: "This further deterioration in Dowty's prospects will make it harder for TI to avoid a material earnings dilution in 1993."

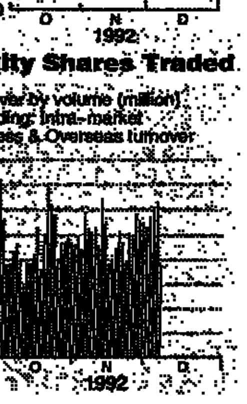
Oil shares delivered another dismal showing, affected mostly by the decline in the dollar against sterling. BP retreated 4 to 224p on turnover of 8.6m with the market acutely disappointed by the outcome of BP's presentation to UK and US oil specialists on Monday.

At the meeting Mr David Simon, BP's chief executive appeared to rule out an increase in BP's dividend before 1985. "The bulls are in disarray and the bears in the ascendancy," said one analyst. Some of the market's more bullish analysts had expected a return to dividend growth by 1993/4 while the bears had not expected such a move until 1994.

The US specialists, who have promoted much of the buying interest in BP shares in recent months and increased US interest in the stock to around the 21 per cent level, were said to have been especially dismayed by the dividend news.

Switching from BP to Shell saw the latter edge up 3 to 545p on 3m. Enterprise retreated 9 to 447p and Lasmo 8 to 154p, the latter on heavy turnover of 3.6m.

With the market beginning to adopt a more positive outlook for domestic mortgage indemnity composites with big exposure in this area performed relatively well. Sun



Alliance, acknowledged as having the biggest indemnity exposure, managed a minor improvement at 330p. Royal Insurance, however, moved up strongly, boosted by the better outlook for DMI and the prospect that the shares are one of the favourites for inclusion in the prestigious Footsie-100 list when the FTSE steering committee meets today. At the close Royal shares were 5 better at 265p with a hefty 6.4m traded. A block of 1.5m Royals was easily absorbed the market early in the session

HSBC and Standard Chartered were outstanding performers in an otherwise subdued banks area of the market with dealers taking the view that both stocks had been oversold.

HSBC raced up 15 to 479p on good turnover of 8.8m shares, while Standard Chartered, along with Royal Insurance, one of the front-runners for inclusion in the Footsie-100, advanced 13 to 523p.

Abbey National slipped 4 to 354p after reports that Smith New Court had reduced their profits estimates for the bank.

Results in line with expectations from Vaux were given the added boost of a maintained dividend.

Investors were attracted by the fact that the stock goes ex on Monday. Although the brewery and hotel group said trading conditions had been tough, business had improved since the year end in September. Brokers downgraded by around 5 per cent to a range £24-£28m.

Dividend attractions brought other investors into the drinks sector yesterday. Bass, which also goes ex-dividend on Monday, gained 9 to 611p, Greenalls 7 to 354p and Scottish and Newcastle 12 to 425p. Dollar earners were also strong: Allied Lyons rose 4 to 643p and Grand Metropolitan 11 to 435p.

Vague hints that trading was under pressure at Burton were heard, with suggestions from some corners that business at both Debenhams and Burtons outlets was suffering. However, one leading analyst was largely dismissive arguing that the recovery in the retail sector was still very patchy and that any short-term downturn was not surprising. The shares slipped a half-penny to 62½p. James Capel was said to have returned positive on margins from a visit to Boots, the shares lifting 6 to 534p.

The food retail sector reached a 5-year high against the FT-All Share index, although turnover was thin and analysts wary that it may have overrun. Argyll and Sainsbury led the way, rising 6 to 405p and 5 to 542p respectively. The volatile Kwik Save jumped 13 to 788p.

Rumours of further downgrades in ICI undermined the stock, although no firm evidence was forthcoming. The company's joint broker, Hoare Govett, had slashed its profits forecasts for 1993 and 1994 on Monday, blaming weak trading conditions in October. The shares declined a further 9 yesterday to 1016p.

Tadpole Technology, the computer software group, followed up Monday's highly successful market debut with another strong run, the shares surging a further 28 to 113p; they were originally placed with investors at 65p a share by Henry Cooke Lumsden, the stockbroker.

Shares in British Aerospace had a volatile session. They fell 7 to 134p, early in the day on the cancellation by North West Airlines of its Airbus aircraft order. BAe not only builds the wings on the aircraft but is also a 20 per cent partner in the Airbus consortium.

However the belief that the collapse of the European Fighter Aircraft (EFA)project may be averted helped sentiment and the shares rallied to close a penny lighter at 140p.

Shares in international conglomerate Lonrho continued to attract attention and they closed a penny firmer at 74p, on vague talk in the market late in the day, that chief executive Mr Tiny Rowland would soon announce the sale of part of his holding in the company, a rights issue and a sizeable disposal. Turnover which had languished for most of the day had jumped to 1.3m by the close.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Steve Thompson.

■ Other market statistics, Page 25

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (70).
OTHER FIXED INTEREST (1) Utd. Mex. States 16½pc '08, AMERICANS (4) Amer Express, California Energy, Chrysler, Dana, BREWERS (2) Bulmer, Taunton Cider, BLDG MATLS (1) Anglian, BUSINESS SERVS (2) Hays, Wills, CHEMS (2) Croda, Evode, CONGLOMERATES (2) Amer Free A, Wassall, ELECTRICITY (2) Scot. Hydro, Scot. Power, ELECTRONICS (5) Cray, Electrocomps., Farnell, Laxdon, Tunstall, ENG AERO (1) Smiths Inds., ENG GEN (3) Carclo, Siebe, FOOD RETAILING (2) Argyll, Kwik Save, HEALTH & HSEHOLD (2) Quality Care Homes, Utd. Drug, HOTELS & LEIS (2) Sleepy Kids, Stakis, Vardon, INSCE COMPOSITE (1) Domestic & Gen., INSCE LIFE (1) Refuge, INV TRUSTS (12) Broadgate, Drayton Blue Chip Zero Pf., Fimg. Inc. & Cap. Zero Pf., GT Venture, Do Wts., Gartmore Scot. Zero Pf., I & S Optimum Inc. Zero Pf., Law Debenture, Murray Split Cap. Zero Pf., Sphere Zero Pf., TR Tech., Do Sippd. Pf., MEDIA (6) Central ITV, EMAP, Metal Bulletin, News Intl., Reed Intl., Utd. News., MTL & MTL FORMING (1) Johnson Matthey, MISC (3) Airsprung Furn., Faber Prest, Rothmans, OTHER FINCL (1) Govett, OTHER INDLS (2) Cookson, Staveley, PACKG, PAPER & PRNTG (3) Capital Inds., Macfarlane, Portals, STORES (5) Boots, GUS A, MFI, Smith (WH), Storehouse, TELE NETWORKS (1) Vodafone, TEXTS (1) Claremont Garmts., TRANSPORT (1) Tibbett & Britten, MINES (1) Mount Burgess.
NEW LOWS (34).
AMERICANS (1) Amdahl, BREWERS (1) Macdonald Martin, BUSINESS SERVS (1) BET, CHEMS (2) Caird, Do 7p Pf. '09, CONTG & CONSTRCN (2) CRP, Melville, ELECTRICALS (1) Clarke (T), ELECTRONICS (2) Kewill Systs., Prestwick, ENG GEN (2) Beauford 7p Pf., Wellman, FOOD MANUF (1) Sentry Farming, HOTELS & LEIS (2) Hi-Tec, Ryan, INV TRUSTS (2) Eng. & Caledonian, Lon. & Strathclyde, MEDIA (2) Birkdale, Chiltern Radio, OIL & GAS (1) Ranger, PACKG, PAPER & PRNTG (1) Blagden, PROP (2) Markheath, Ossory Ests., Power Corp., STORES (2) Colorvision, Oliver, TEXTS (2) Campari, Cupid, TRANSPORT (1) LOF's, MINES (5) East Rand Prop., Hartebeest, Northam Plat., Renison, Stilfontein.

FINANCIAL TIMES EQUITY INDICES

	Dec 8	Dec 7	Dec 4	Dec 3	Dec 2	Year ago	High	Low
Ordinary share	2091.2	2084.1	2082.4	2091.7	2097.8	1830.0	2149.7	1670.0
Ord. div. yield	4.43	4.45	4.45	4.42	4.43	5.03	5.34	4.24
Earning yld % full	6.08	6.11	6.10	6.08	6.07	7.53	-	-
P/E ratio net	21.04	20.95	21.01	21.12	21.08	16.70	21.21	15.79
P/E ratio nil	19.37	19.29	19.34	19.44	19.40	15.84	-	-
Gold Mines	69.4	70.9	71.6	71.4	70.1	166.9	160.6	63.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/8/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2080.5	2077.9	2080.3	2075.9	2075.1	2081.3	2083.6	2086.5	2089.8	2091.2	2075.0

Volume	Dec 8	Dec 7	Dec 4	Dec 3	Dec 2	Year ago
SEAQ Bargains	24,306	25,898	25,696	25,783	28,749	25,952
Equity Turnover(£m)†	-	879.6	1528.0	1497.9	1264.9	814.7
Equity Bargains†	-	28,399	30,466	31,737	34,072	26,789
Shares traded (mil)†	-	378.9	530.6	615.3	576.0	472.7

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2769.8 +15.3	2682.0 +7.7	1314.54 +6.27

	Dec 8	Dec 7	Dec 4	Dec 3	Dec 2	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2769.8	2754.5	2759.4	2771.0	2764.1	2409.6	2792.0	2281.0	2792.0 1/12/92	986.9 23/7/84
FT-SE Mid 250	2682.0	2674.3	2661.2	2654.9	2650.8	2327.0	2825.0	2157.8	2825.8 20/5/92	1379.4 21/1/86
FT-SE-A 350	1340.7	1334.1	1334.6	1338.4	1335.4	1165.6	1345.5	1103.1	1345.5 1/12/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2750.2	2748.9	2751.0	2749.6	2749.5	2754.5	2759.0	2763.3	2768.5	2769.9	2745.7
FT-SE Mid 250	2675.5	2676.0	2675.5	2674.6	2674.2	2675.7	2676.9	2678.8	2681.6	2682.1	2673.6
FT-SE-A 350	1332.5	1332.1	1332.8	1332.2	1332.1	1334.2	1336.1	1337.9	1340.2	1340.8	1330.8

Gross dividend yield (ACT at 25%) FT-SE 100:4.42 %

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tuesday December 8 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Dec 7 Index No.	Fri Dec 4 Index No.	Thu Dec 3 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (175)	806.63	+0.2	7.03	5.31	18.51	30.03	804.64	801.02	803.72	730.46
2 Building Materials (23)	791.15	+0.1	6.65	6.83	21.19	37.11	790.36	780.51	781.38	869.77
3 Contracting, Construction (26)	651.97	...	4.22	7.60	64.74	37.49	652.12	648.09	652.41	917.84
4 Electricals (9)	2290.05	+2.2	7.34	6.61	17.82	108.10	2239.85	2239.52	2238.46	2344.31
5 Electronics (28)	2187.77	+0.3	7.03	3.94	18.06	51.29	2181.21	2187.72	2194.55	1620.54
6 Engineering-Aerospace (6)	368.97	-0.1	13.16	8.74	9.67	15.92	369.17	366.85	372.16	525.99
7 Engineering-General (43)	470.50	-0.1	8.52	4.99	14.98	16.90	470.85	466.90	470.66	451.95
8 Metals and Metal Forming (7)	301.27	...	5.65	4.28	25.83	8.52	301.16	299.20	299.50	300.50
9 Motors (15)	350.77	-0.5	5.80	6.71	25.15	17.59	352.48	347.25	344.92	278.60
10 Other Industrials (18)	1878.48	+0.5	6.65	4.47	18.18	61.23	1869.30	1868.39	1874.47	1468.09
21 CONSUMER GROUP (192)	1733.87	+0.8	6.73	3.38	18.47	41.31	1719.90	1718.06	1715.28	1535.17
22 Brewers and Distillers (25)	2035.16	+1.1	8.17	3.72	14.84	43.06	2012.23	2004.64	2027.70	1885.33
25 Food Manufacturing (19)	1288.90	+0.5	8.16	4.15	15.30	39.42	1282.64	1285.04	1291.91	1191.28
26 Food Retailing (18)	3220.54	+1.0	8.00	2.92	16.27	70.26	3187.30	3166.96	3129.73	2542.40
27 Health and Household (26)	4394.24	+0.7	5.07	2.58	22.95	87.89	4362.58	4383.77	4312.41	4087.80
29 Hotels and Leisure (18)	1220.73	+1.0	6.85	5.64	19.19	46.03	1208.74	1201.87	1204.38	1197.02
30 Media (26)	1740.03	+0.6	5.76	3.04	21.66	38.77	1729.25	1719.76	1727.78	1402.02
31 Packaging, Paper & Printing (17)	764.51	-0.8	6.83	4.26	18.15	24.35	770.73	762.26	763.30	724.01
34 Stores (33)	1144.54	+1.0	6.37	3.16	20.79	26.44	1132.67	1132.57	1137.74	970.61
35 Textiles (10)	703.78	+0.3	6.75	4.33	18.66	23.43	701.81	699.33	706.47	590.61
40 OTHER GROUPS (115)	1402.68	+0.4	8.90	5.01	13.95	43.52	1396.72	1400.41	1406.75	1156.43
41 Business Services (17)	1414.83	+0.3	6.27	3.60	19.54	34.10	1410.04	1422.49	1435.78	1371.40
42 Chemicals (22)	1377.42	+0.1	6.63	5.32	19.06	54.36	1376.16	1381.85	1386.02	1337.13
43 Conglomerates (10)	1360.65	+0.8	9.61	9.18	12.90	40.93	1350.00	1349.98	1385.69	1265.06
44 Transport (13)	2657.01	+0.3	8.55	4.47	14.02	88.31	2648.68	2642.94	2669.44	2193.07
45 Electricity (16)	1525.90	+0.4	13.99	4.91	9.20	55.01	1520.15	1516.97	1498.78	1163.85
46 Telephone Networks (4)	1653.95	+0.1	8.06	4.14	16.13	48.48	1652.33	1673.01	1682.42	1367.16
47 Water (11)	3210.55	+0.6	14.18	5.50	7.80	95.06	3192.21	3175.54	3161.83	2189.97
48 Miscellaneous (22)	2456.72	+1.1	5.79	4.12	21.36	60.58	2430.30	2418.10	2423.48	1779.62
49 INDUSTRIAL GROUP (482)	1399.53	+0.6	7.50	4.24	16.69	39.71	1387.30	1386.77	1388.51	1211.85
51 Oil & Gas (18)	2116.82	-0.8	6.31	6.12	20.84	103.27	2133.54	2139.67	2152.41	2138.48
59 500 SHARE INDEX (500)	1465.14	+0.4	7.38	4.43	17.03	44.69	1458.44	1458.97	1460.97	1293.64
61 FINANCIAL GROUP (82)	841.13	+0.8	-	5.22	-	32.17	834.34	836.99	844.02	693.26
62 Banks (9)	1145.74	+1.2	5.37	4.86	27.92	40.52	1131.96	1141.78	1157.54	798.57
65 Insurance (Life) (6)	1738.16	+0.8	-	5.23	-	58.18	1723.54	1715.78	1723.92	1353.32
66 Insurance (Composite) (7)	616.29	+0.3	-	4.89	-	22.58	614.36	613.30	615.92	503.75
67 Insurance (Brokers) (10)	703.05	-0.6	8.85	7.59	15.19	47.71	707.09	709.49	707.22	976.68
68 Merchant Banks (6)	475.50	+0.3	-	4.81	-	16.75	474.10	465.47	465.28	453.36
69 Property (30)	610.83	...	8.89	6.89	14.76	28.61	610.77	611.21	609.86	815.24
70 Other Financial (14)	272.73	+0.2	7.36	6.14	17.91	10.81	272.09	270.42	271.32	230.30
71 Investment Trusts (69)	1268.75	+0.3	-	3.42	-	31.02	1272.02	1269.20	1273.65	1127.76
99 ALL-SHARE INDEX (651)	1314.54	+0.5	-	4.51	-	41.18	1308.27	1308.63	1312.13	1150.47

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1293.5	1294.5	1294.5	1292.0	1290.0	1288.9	1288.9	1287.8	1291.4	1291.4	1288.7	+2.7
Health&H	1319.5	1318.2	1318.0	1318.1	1318.1	1318.6	1321.2	1325.5	1329.3	1329.8	1320.1	+9.7
Water	1320.4	1320.0	1320.0	1320.0	1320.0	1322.0	1322.6	1323.4	1328.1	1327.4	1320.0	+7.4
Banks	1374.3	1375.0	1374.1	1373.0	1374.1	1375.9	1376.5	1377.3	1387.0	1392.0	1374.9	+17.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or −	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Treas 8¾pc 1993	100⅛	—	100⅝	97⅝	8.23	8.78
10pc 1993	101⅛	—	101⅜	99⅛	9.89	6.81
12½pc 1993‡‡	103⅝xd	+⅛	104⅛	100⅜	12.09	8.77
Funding 6pc 1993‡‡	99¼		100	95⅝	6.02	8.41
Treas 13¼pc 1993‡‡	105½	−⅛	107⅞	103⅛	12.61	6.68
8¼pc 1994	101⅝	−⅛	102	96¼	8.34	6.71
14½pc 1994‡‡	109	+⅛	110⅛	104⅛	13.31	6.74
Exch 13½pc 1994	108⅝	−⅛	110	103⅞	12.43	6.85
Treas. 10pc Ln. 1994‡‡	104⅛	−⅛	105⅛	98⅛	9.58	6.87
Exch 12½pc 1994	108	−⅛	110⅛	103⅛	11.61	7.01
Treas 9pc 1994‡‡	103⅛		104⅛	96⅛	8.68	6.93
12pc 1995	109⅛	—	111⅛	102⅛	10.86	7.17
Exch 3pc Gas 90-95	94⅝	+⅛	95⅛	88⅛	3.18	5.51
10¼pc 1995	107¼	—	109⅛	99⅛	9.58	7.14
Treas 12¾pc 1995‡‡	114⅛	—	116½	108⅛	11.14	7.18
14pc 1996	117⅛	—	119⅛	109⅛	11.90	7.50
9pc 1992-96‡‡	100⅛	—	104½	96⅛	8.97	6.79
15¼pc 1996‡‡	122⅛	+⅛	125¼	113⅛	12.42	7.51
Exch 13¼pc 1996‡‡	116⅛	+⅛	119⅛	108	11.33	7.55
Conversion 10pc 1996	108⅛	+⅛	110⅛	98⅛	9.20	7.39
Treas 13¼pc 1997‡‡	119⅛	+⅛	121⅛	109⅛	11.09	7.61
Exch 10½pc 1997	110⅛	+⅛	112⅛	100⅛	9.50	7.31
Treas 8¾pc 1997‡‡	105¼	+⅛	107½	94	8.32	7.43
8¾pc '97 ‡‡(£60 pd)	82⅛	—	86½	60	8.32	7.46
Five to Fifteen Years						
Exch 15pc 1997	128½	—	131⅛	117⅛	11.67	7.85
9¾pc 1998	108⅛	−⅛	111⅛	97⅛	8.97	7.83
Treas 7¼pc 1998 (£25 pd)	24⅛	−⅛	27⅛	24⅛	7.30	7.39
Treas 6¾pc 1995-98‡‡	98⅛	+⅛	99⅛	89⅛	6.86	7.43
15½pc '98‡‡	135⅛	−⅛	137⅛	123⅛	11.57	8.02
Exch 12pc 1998	118⅛	−⅛	121⅛	107⅛	10.13	8.02
Treas 9½pc 1999‡‡	108⅛	−⅛	111⅛	97⅛	8.78	7.79
Exch 12¼pc 1999	120⅛	−⅛	123⅛	109⅛	10.20	8.09
Treas 10½pc 1999	112⅛	−⅛	116⅛	101⅛	9.30	7.89
Conversion 10¼pc 1999	112⅛	+⅛	115⅛	100⅛	9.12	7.90
9pc 2000‡‡	105⅛	−⅛	108⅛	94⅛	8.59	7.90
Treas 13pc 2000	125⅛xd	+⅛	128⅛	114⅛	10.33	8.35
10pc 2001	110⅛	+⅛	113⅛	99⅛	9.07	8.23

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

FUTURES AND OPTIONS TRADING

TURNOVER in stock index futures moved sharply ahead in a volatile session which saw increased rolling of positions forward into the March contract, writes Joel Kibazo.

The December contract on the FT-SE opened strongly at 2,764. However, attempts by independent traders to send it higher proved fruitless and December went into decline as some leading institutions turned sellers, sending December to the day's low of 2,753 at around 11 pm. A sizeable share of the selling was initiated by a desire to roll out of December and into the March contract, which helped add to the day's overall volume.

Dealers said a reasonable amount of arbitrage was carried out at the lower levels. The drying up of such activity, coupled with dealers covering short positions, led to a turnaround in the fortunes of the December contract and it advanced throughout the afternoon.

It finished at 2,775, up 18 on the previous session and around 3 points above its estimated fair value premium to cash of about 4. Turnover reached 10,911 contracts.

In traded options, the FT-SE 100 option was again particularly busy accounting for around half of the day's total volume of 24,209 contracts, just ahead of Monday's figure. HSBC was the busiest stock option with a day's total of 2,590 contracts. Abbey National was next trading a total 737 contracts.

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv ♣□	180	-1	184	147	3.5	210.9	14.7
Warrants □	34½	—	38	21	-	-	-
Scot Mortgage ♣†□	174	-1½	178	135	3.0	201.6	13.7
Scot National Inc ♣□	70	—	107	65¾	14.9	-	-
Cap □	19	—	42	12½	-	35.3	46.2
Stepped Pf	151½	-½	165½	128	6.4	-	-
Zero Div Pf	204½	—	204½	165½	-	-	-
Warrants	5	—	9	3	-	-	-
Scot Value †	68	—	68	48	3.5	68.1	0.1
Sec Alliance ♣	1330	-5	1360	1086	3.8	1490.4	10.7
Second Market	252	—	255	222	0.8	287.0	12.2
Sec Tst Scot ♣□	72½	-½	76½	61	6.9	76.7	5.5
Select Assets	106½	-½	108	78½	1.1	148.4	28.2
Eq Ind Sed	127	—	127	106	4.5	-	-
Eq Ind Sed	127	—	127	106	4.5	-	-
SHIRESCOT	180	—	180	95	-	101.8	1.8
Shires ♣	238	—	240	188	10.4	222.0	-7.7
11pc Cv Ln '03/04	£119½	—	£119½	£95½	9.2	-	-
Siam Select	97	—	103	68	0.2	128.9	25.1
Warrants	15	—	21	10	-	-	-
Smaller Cos □	70	—	85	66	4.8	78.3	10.6
Warrants	13	—	20	10	-	-	-
Somerset Tst	128	-4	140	55	-	88.6	-48.7
Sphere Inc N□	12	—	20	9½	34.4	21.0	45.2
Zero Div Pf	78¾	—	79	63¼	-	-	-
Sumit	35	—	56	30	4.6	93.2	61.4
TR City of Lon □	121	—	127½	97½	5.2	120.4	0.3
TR Euro Growth ♣□	74	-1	90	70	2.4	95.8	22.8
Ptg Sub	33	—	64	33	5.6	-	-
TR Far East Inc ♣□	109	-1	115	78	5.5	113.5	3.9
Warrants	17	—	22	12	-	-	-
TR High Inc	108	—	111	91	7.4	106.4	-1.1
Sub	23	—	35	21	8.7	-	-
TR Pacific ♣□	102	—	107	70	0.3	103.5	1.5
TR Prop ♣†□	17¼xd	-¼	27	14½	‡	28.0	38.7
TR Smaller ♣□	130½	+½	162	96	3.8	143.0	8.7
TR Technology ♣□	40	+1	40	18	5.8	162.0	74.3
Units	1910	—	1925	1700	2.1	2248.8	15.1
Stepped Pf	102¼	+½	102¼	89¾	7.2	-	-
Zero Pf	189½	-½	280½	154½	-	-	-

MERCHANT BANKS

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Ansbacher (H)	31	—	34	25	57.9	-
Barings 8pc Cm 2nd Prf	96	—	101	83½	12.8	11.1
9¾pc Non-Cum Prf	115¾	+½	125	103¼	46.1	11.3
Close Bros	204	—	207	205	87.8	5.0
Hambros ♣□	230	—	282	202	398.6	8.8
7½pc Cv Pf	111	—	119	91½	168.6	9.0
Joseph (L)	308	—	333	308	18.2	6.9
Kleinwort Benson □	295	—	324	212	385.6	7.2
Rea Bros ♣□	35	—	37	25	14.1	1.9
Schroders ♣†	1290	—	1385	1043	651.8	1.8
N/V †	1098	—	1158	888	144.1	2.2
Singer & Fried ♣□	46	—	50	34	88.5	7.2
Warburg (SG) ♣□	520	+4	606	403	1,067	4.6
8pc Cv Pf	179	+4	204	137	78.2	4.5
Winlust	190	—	253	186	18.1	6.6

METALS & METAL FORMING

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
ASW ♣□	58	+1	185	50	39.3	‡
Apollo Metals ♣	78xd	—	147	73	9.18	5.9
Ash & Lacy	133	—	169	123	35.3	8.4
Barrett (H) †	78	—	45	7	3.04	‡
Billam (J) †	126	—	144	84	2.84	4.5
Brit Steel ♣□	55¾	-1	88	43½	1,115	2.4
CI □	16	+1	35	12	13.0	18.2
Castings	140xd	—	185	118	31.2	3.7
Chamber & Hill	111	—	140	90	4.11	7.2
Cohen (A) ‡	276	—	408	255	5.10	‡
Cook (Wm) ‡	119	+1	325	88	28.1	‡
Cooper (F) □	33	—	68	22	11.7	8.1
Downiebrae	30	+2	38	27	5.25	2.2
Firth (GM) □	8½	+½	35	7½	2.87	-
Garton ‡	84	—	139	84	3.20	‡
Glynwed Intl □	231	-1	282	183	477.0	6.7
Johnson & Firth □	47	—	73	44½	65.9	8.5

MINES - Cont.

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Geevor	4¾#	—	5	4½	1.82	-
Glencar Expl ‡‡	8	—	16	6	1.49	-
Greenwich Res □	5⅝	—	11	2	3.86	-
Hemlo Gold C$	C$9⅞	—	95⅞	C3¼	378.8	2.6
Iernia West ‡‡□	37	-2	53	32	18.6	-
Kells Mins ‡‡□	13	—	42	12	0.31	-
Kenmare ♣□	4½	+¼	6½	2¼	4.32	-
Malaga Res	14	—	49	8	1.54	-
Navan Res ‡‡	33	—	34	16	4.42	-
Oryx Gold	46¾	—	103	46¾	-	-
Platinum	3#	—	13	3	1.37	-
RTZ □	655	+10	669	469	6,558	4.0
Vizcaya ♣	1¼	—	3	1	0.67	-
Western & Pac C$ ♥	21½	—	86	7	11.8	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1280 a year for each security shown, subject to the Editor's discretion.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro SS

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

SS Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071—379—0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	115.60	115.80	121.90	-0.20	5.68
Pooled Pension ♦	7	140.7	145.3	150.4		-
Smaller Cos	5	51.43	53.22	56.02	+0.25	2.68
UK General	5	111.40	113.10	119.00	-0.58	3.53
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	362.87	362.87	384.64	(z)	5.36
Global Inc	5	50.91	50.91	53.96	(z)	4.50
Brit Leaders	5	307.17	307.17	325.60	(z)	3.14
Intl Leaders	5	163.26	163.26	173.06	(z)	1.09
P Am Max Bal Gwth Acc ♥	3½	48.21	49.30	51.22	....	3.32
P Am Max Bal Gwth Inc ♥	3½	48.21	49.30	51.22	....	3.32
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	45.67	45.76	48.68	....	1.62
Far Eastern Tst	6	49.92	50.53	53.76	....	0.92
Smaller Cos	5	113.6	118.2	125.8	....	2.93
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS. 071-637 5377						
S & W American ♦	5	258.0	258.5xd	273.5	+1.2	0.92
S & W Capital	5	105.5	105.5	113.0	-0.4	1.94
S & W Cash ♦	0	101.44	101.44	101.44	+0.04	6.64
S & W European	5	102.8	103.0	109.0	+0.3	1.22
S & W Far Eastern	5	102.2	103.1	109.0	-2.3	0.38
S & W Growth	5	112.7	114.1xd	120.7	-0.6	1.58
S & W Income	5	99.25	100.7	106.5	....	5.51
S & W Magnum	5	111.4	111.4	119.5	-0.5	1.82
S & W Smllr Secs	5	250.0	255.9xd	270.8	-0.1	0.75
S & W Thoroughbred	5	128.5	128.9xd	137.8	-0.5	1.87
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing - 12 Noon Historic						
American Gwth	5¼	74.11	74.11	79.26	+0.62	0
Eur Sp Sits Acc	5¼	39.46	39.46	42.00	-0.23	0
Eur Sp Sits Inc	5¼	37.27	37.27xd	39.67	-0.21	0
Far Eas Opps Inc	5¼	24.49	24.49	26.42	-0.36	0

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	84.74	84.74xd	86.72	-1.11	0.00
Short Dtd Gilt	1¼	105.9	105.9	107.3	-0.30	1.95
0.5 German Bond	1½	0.7003	0.7003xd	0.7095	-0.008	0.00
Gilt Income	4	51.12	51.12	53.20	-0.06	8.68
Gilt Growth	4	62.68	62.68xd	65.23	-0.13	0.00
City Reserve	0	55.27	55.27	55.27	+0.01	6.92
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	61.60	61.84	65.78	+0.42	2.51

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Grs
Baillie Gifford & Co Ltd				
Int'l Exmt Nov 30	657.4	680.8	....	1.02
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	50.78	52.54	....	4.7
Income Plus	48.25	49.21	....	7.5
James Capel Fund Managers Ltd				
Managed Exempt	121.333	128.250	-0.617	4.20
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Nov 30	359.95	365.60	....	5.27
Fxd Int Sec Nov 30	149.10	149.85	....	9.68
Deposit Fund See Money Market Trust Funds.				
Charinco/Charishares‡‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd.	620 7	660 4	+1.8	-
Adventurous Mngd	146.1	155.5	-1.3	-
Cautious Mngd.	119 4	127 1	-0 1	-
Cash Fd	324 4	331 4	....	-
Property Fund	218 0	232.0	+0 6	-
Equity Fund	699.8	744.5	-5.1	-
Fxd. Int. Fund	392.6	413 8	....	-
International	311.7	331.7	-2.7	-
High Income	549.5	584 6	+7 0	-
Far East	399.2	424.7	-4.6	-
North American	414.2	440.7	-3 9	-
Special Sits	501 0	533 0	+2.1	-
Technology	414.8	441.3	-3 6	-
Extra Inc Fd	300 0	319.2	+1.4	-
Convertible & Gilt Fd.	143 1	152.3	-0.1	-
American Income	165.2	175.8	-1.8	-
Gilt Fund 20	433 1	460 8	-0 4	-
European Fund	111 4	118 6	-0.4	-
Pref & Fixed Int	107 8	114 7	+0.1	-
UK Blue Chip	112.8	118.9	-0.4	-
Recovery Fund	104.1	109 7	....	-
Equity Income Dist	100.3	106.8	-0.1	5.02
Managed Dist.	95.1	101 2	-0.2	5.35
High Yield Dist.	99.4	104 8	-0.2	7.63
Pension Funds				
Balncd Gth Mngd Pens Acc.	713 4	751 0	-2.6	-
Adventurous Mngd Pens Acc.	152.0	160.0	-1 4	-
Cautious Mngd Pens Acc.	137.0	144.3	-0.2	-
Building Soc. Acc	367 9	387.0	....	-
Property Pens Acc.	296.4	312.0	+1.1	-
Fix Int. Pens Acc.	620 1	652.8	+0.1	-
Equity Pens. Acc.	888.5	935.3	-7.9	-
International Pens Acc.	285 7	300 8	-3 0	-
High Inc Pens Acc	612.7	645 0	+1 4	-
Tech Pens Acc.	292.5	307.9	-3.2	-
N American Pens Acc.	310 8	327.2	-3.4	-
Far Eastern Pens Acc.	392.9	413.6	-6.1	-
Special Sits Pens Acc.	410.2	431.8	-0.5	-
Extra Income Pens Fd.	363 6	382.8	-0.6	-
Convertible & Gilt Pen.	174 8	184.1	-2.6	-
American Inc Pens.	188.1	198.1	-0.2	-
European Pens.	123 5	130.0	-0 4	-
Managed Cash Pens.	170 4	179.4	....	-
Pref & Fixed Pens.	125 6	132.3	+0.1	-
UK Blue Chip	119.2	125.5	-0.5	-

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd.	167 2	176.0	+0.1	-
Equity Acc Fd	385.3	405 6	-1.5	-
Managed Acc Fd.	338.9	356.7	..	-
Prop Fd (1st Issue).	-	614 1	..	-
Prop Acc Fd (2nd Iss).	121.0	127.4	....	-
Unit Trust Mir. Fd.	149 7	157.6	....	-
RL Pension Funds				
Deposit Acc	242.2	255 0	....	-
Equity Acc	283.0	297 9	-1.5	-
Fixed Int Acc.	242.9	255 6	-	-
Gilt Index Lnk Acc.	183 0	192.6		-
Managed Acc.	371.8	391 4	....	-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone: 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed	108.0	113 7	+0 10	-
JRA/Scottish Amicable Mngd	104.3	109 8	+0.50	-
JRA/St James's Place Mngd	110.0	115 8	....	-
Deposit	99.40	104.7	....	-
Far East	106.7	112.4	-0.60	-
Gilts	104 1	109.6	....	-
Greater European	105 5	111.1	-1.30	-
North American	121.8	128.3	+0.20	-
UK Equity	108.1	113 8	+0.50	-
Pension Funds				
JRA/M&G Managed cap.	105.3	110 9	+0 20	-
JRA/M&G Managed acc.	108.5	114.3	+0 20	-
JRA/Scottish Amicable Mngd cap	101.0	106.4	+0 50	-
JRA/Scottish Amicable Mngd acc	104 2	109.7	+0 60	-
JRA/St James's Pl Mngd cap	111 6	117.5	-0.20	-
JRA/St James's Pl Mngd acc	115 1	121.2	-0.20	-
Deposit cap.	99 60	104.9	-0.10	-
Deposit acc.	102.7	108.2	....	-
Far East cap.	102 1	107.5	-0 80	-
Far East acc.	105 2	110.8	-0.80	-
Gilts cap	102.0	107.4	-0.30	-
Gilts acc	105.1	110 7	-0 40	-
Greater European cap.	104.5	110 1	-1.20	-
Greater European acc.	107 8	113.5	-1.30	-

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Sun Alliance Group—Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Standard Life Assurance Company

Sun Alliance Group

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

OFFSHORE INSURANCES

Zurich Life Assurance Co Ltd

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Life

Equitable Life (International)

Finance International Ltd

Hafnia Prolific International

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife societe anonyme

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

C F S Financial Mngmt

Capital Trust Financial Management

Close de Vere PLC

ECU Terminvest Plc

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Hunsminster Financial Services(Pty) Ltd

IPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macnaghton & Dowie Invest Mngt Plc

Markham Blogg & Partners

Pendleton May Financial Services Ltd

Rossborough Financial Management Ltd

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Grofund Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Scottish Equitable Intl Fd Mgrs

GUERNSEY (REGULATED)

ANZ Mngrs Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Kleinwort Benson (Guernsey) Ltd

Leopard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngt (CI) Ltd

Royal Intl (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Rudolf Wolff Capital Management Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Hafnia Prolific International Mngmt Ltd

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund (a)

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

Federated International Funds Plc

GT Asset Management (Ireland) Ltd

Gartmore Portfolio Managers Limited

Morgan Grenfell Fund Managers (Ireland) Ltd

Sarasin Investment (Ireland) Plc

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (Ltd)

Asset Global Funds Ltd

CMI Fund Managers (IoM)

Gartmore Fund Managers (IoM)

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers Intl Ltd

Outlook Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Intl Fund Mgrs

City Financial Admin (IoM)

Dunbar Lewis Inv. Mgt Ltd

John Govett Management (IoM) Ltd

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
IBI Global Funds Limited				
Intl Stlg Grth	£20.49	21.58	....	-
Intl $US Grth	$17.66	18.60	....	-
High Income Gilt	£25.71	26.66	....	-
International Equity	£20.88	21.99	....	-
International Bond	£22.58	23.41	....	-
Managed Currency	£27.76	28.08	....	-
Sterling Currency	£26.43	26.71	....	-
US$ Currency	$37.73	38.12	....	-
Irish £ Currency	I£15.09	15.25	....	-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.02	11.49		
B.F. Offshore Inc Fd Ltd	£11.52	12.14	....	-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£9.18	9.90		-
Nelson Mines WW S/S	£9.37	9.64	....	-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£- 20.9705	20.9813	....	-
Managed Capital Bd	5		I£- 21.0857	21.1139	....	-
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		£-	10.9347	....	-
Sterling Currency Fd	5		£-	10.5345	....	-
Ecu Currency	5		Ecu-	10.7401	....	-
US Dollar Mngd Curr	5		$-	21.4465	....	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£0.835	0.838	0.896	-0.01	1.0
Global Income Fund	5¼	£0.469	0.474	0.507	-0.01	2.4
Global Resources	5¼	£0.390	0.395	0.422	-0.02	0.6
Currency Funds						

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloyds Wrld Inc Port	£2.454	2.577	....	1.25
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.88	9.93		9.47
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Nov 26	$13.14	13.41	....	2.98
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	52.8	56.0	....	8.16
UK Equity Fd (z)	216.2	230.0	+0.01	2.78
*Intl Bond Fd	96.0	99.0	....	7.07
*Sterling Mngd Asset Fd	544.0	573.0	....	5.00
*Sub. day every Thurs.				
NatWest TrustCor Currency Fund (z)				
Dollar Class	$38.1027		-0.0008	-
Sterling Class	£26.9011		+0.0045	-
D-Mark Class	DM83.4432		+0.0185	-
Dutch Guilder Class	Dfl82.9080		+0.0184	-
Japanese Yen Class	Y7957.0112		+0.6350	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Nov 26	$34.15	35.78	....	-

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

JERSEY (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

... insurance plans. s Single premium insurance. x Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). z Offered price includes all expenses except agent's commission. ‡ Previous day's price. ⊕ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase after dividend.

(**) Funds not SIB-recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar resists positive data

THE DOLLAR lost ground against a wide range of currencies yesterday despite recent positive economic news from the US. Meanwhile sterling performed very strongly against the dollar and continued its assault on the DM2.50 level which it tested last week, *writes Peter John.*

The US currency opened at DM1.5787, down from Friday's close. Foreign exchange dealers said that concentration on European currencies ahead of the EC summit in Edinburgh ensured that the dollar remained on the sidelines. Also, comments from the Bundesbank reaffirming commitment to current interest rates prompted some weakness.

Mr Mark Austin, an economist with the HongKong Shanghai Bank said: "People have been holding long positions on the D-Mark which they have been closing up. There was also a story that a slightly stronger performance of the US economy would make Clinton less liable to make fiscal changes."

The dollar was further affected by heavy switching as investors moved into Swiss francs after Switzerland's rejection on Sunday of closer European ties in the European Economic Area. The dollar closed nearly three pfennigs lower against the D-Mark at DM1.5685 and hit SFr1.4000, down from SFr1.4335 previously. It was slightly weaker against the Yen.

The Swiss franc had suffered initially as the Swiss decision was considered poor for the Swiss economy and for Switzerland as an investment centre.

However, the buyers who finally prevailed believed capital flows were in no danger, and a 'no' took Switzerland further away from any association with trouble in the ERM.

That "safe-haven" benefit came into play again as rumours resurfaced that the French franc could be devalued. A press article saying that France was prepared to devalue its currency struck a chord with a number of dealers.

Despite a strong denial from the French finance ministry, the franc slipped to FFr3.408 against the D-Mark.

Sterling continued to push against DM2.50. By the close of dealing in London the pound was at DM2.490 against DM2.4875. It also rose to $1.5875 after hitting a peak of $1.6020, some three cents above its opening.

Economists said the pound was still in favour for its isolation from the tension in the ERM rather than a fundamental recovery in the UK economy. However, it also received a boost from a higher than anticipated rise in consumer credit spending.

● *Slovenia's tolar continued to strengthen against other currencies in former Yugoslavia in October, the anniversary of its introduction, figures from the newly-independent country's central bank show.*

The tolar, introduced at parity to the Yugoslav dinar on October 8 1991, averaged 17.85 per 100 dinars in October this year, the Bank of Slovenia said in its November bulletin.

£ IN NEW YORK

Dec.7	Latest	Previous Close
£ Spot	1.5980-1.5990	1.5600 1.5610
1 month	0.47-0.44pm	0.43 0.41pm
3 months	1.32-1.29pm	1.27 1.24pm
12 months	4.12-4.02pm	3.75 3.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.7	Previous
8.30 am	81.1	81.0
9.00 am	81.0	81.3
10.00 am	81.1	81.2
11.00 am	81.1	81.2
Noon	80.9	81.1
1.00 pm	80.9	80.9
2.00 pm	81.0	80.9
3.00 pm	81.2	80.7
4.00 pm	81.2	80.7

CURRENCY RATES

Dec 7	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.882391	0.789341
U.S Dollar	3.00	1.39109	1.24519
Canadian $	6.18	1.77767	1.59010
Austrian Sch	8.25	15.4578	13.8290
Belgian Franc	7.75	45.2695	40.4436
Danish Krone	9.50	8.53086	7.61929
D-Mark	8.25	2.19709	1.96553
Dutch Guilder	7.75	2.46891	2.20871
French Franc	10	7.46230	6.68665
Italian Lira	13.00	1930.87	1726.62
Japanese Yen	3.25	173.469	155.188
Norway Krone	-	8.97670	8.02522
Spanish Peseta	-	158.746	141.416
Swedish Krona	11.50	N/A	8.45170
Swiss Franc	6.00	1.96422	1.75945
Greek Drach	19	N/A	258.463
Irish Punt	-	N/A	0.742287

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland
† European Commission Calculations.
* All SDR rates are for Dec.4

CURRENCY MOVEMENTS

Dec 7	Bank of England Index	Morgan⇒ Guaranty Changes %
Sterling	81.2	-29.77
U.S Dollar	65.0	-11.80
Canadian Dollar	94.0	-7.96
Austrian Schilling	114.1	+15.64
Belgian Franc	115.8	+1.35
Danish Krone	115.8	+9.49
D-Mark	124.9	+30.78
Swiss Franc	112.7	+20.39
Dutch Guilder	119.3	+20.51
French Franc	108.7	-8.05
Lira	86.9	-29.73
Yen	149.2	+85.87
Peseta	98.7	-25.43

Morgan Guaranty changes: average 1980-1982 = 100 Bank of England Index (Base Average 1985 = 100) ⇒Rates are for Dec.4

OTHER CURRENCIES

Dec 7	£	$
Argentina	1.5660 - 1.5690	0.9900 - 0.9910
Australia	2.2820 - 2.2840	1.4435 - 1.4445
Brazil	16518.5 - 16529.0	10441.5 - 10442.5
Finland	7.9000 - 7.9630	5.0400 - 5.0600
Greece	323.850 - 330.350	206.680 - 210.810
Hong Kong	12.2340 - 12.2465	7.7440 - 7.7450
Iran	2190.00*	1450.00*
Korea(Sth)	1215.25 - 1234.85	783.20 - 789.40
Kuwait	0.47475 - 0.47535	0.30000 - 0.30030
Luxembourg	51.45 - 51.55	32.40 - 32.50
Malaysia	4.0140 - 4.0215	2.5405 - 2.5415
Mexico	4927.95 - 4931.10	3115.00 - 3117.00
N.Zealand	3.0485 - 3.0525	1.9270 - 1.9295
Saudi Ar	5.8120 - 5.9075	3.7495 - 3.7505
Singapore	2.5890 - 2.5955	1.6395 - 1.6405
S.Af (Cm)	4.7400 - 4.7510	3.0045 - 3.0065
S.Af (Fn)	7.4100 - 7.4625	4.6840 - 4.7170
Taiwan	40.10 - 40.25	25.35 - 25.45
U.A.E.	5.5910 - 5.7860	3.6715 - 3.6735

*Floating rate. Iran Official rate:£99.70 $66.20

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency amounts against Ecu Dec 7	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	174.974	-3.96	5.58	67
Spanish Peseta	143.386	141.416	-1.37	2.81	24
Belgian Franc	40.6304	40.4436	-0.46	1.87	30
Dutch Guilder	2.21958	2.20871	-0.49	1.90	32
D-Mark	1.96992	1.96553	-0.22	1.63	25
Irish Punt	0.735334	0.742287	0.95	0.45	-35
French Franc	6.60683	6.68665	1.21	0.19	-58
Danish Krone	7.51410	7.61929	1.40	0.00	-57

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Dec 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5630 - 1.5885	1.5870 - 1.5880	0.46-0.44cpm	3.40	1.28-1.25pm	3.19
Canada	1.9885 - 2.0245	2.0185 - 2.0195	0.16-0.31cdis	-1.40	0.32-0.53dis	-0.84
Netherlands	2.7840 - 2.8080	2.7950 - 2.8050	½-⅝cdis	-2.14	1¼-1½dis	-1.79
Belgium	51.00 - 51.55	51.45 - 51.55	5-11cdis	-1.86	18-24dis	-1.63
Denmark	9.6100 - 9.7000	9.6750 - 9.6850	9¼-13oredis	-13.79	16¾-21½dis	-8.01
Ireland	0.9385 - 0.9425	0.9410 - 0.9420	1.95-0.90cpm	18.16	3.00-1.70pm	9.98
Germany	2.4825 - 2.4995	2.4875 - 2.4925	⅛-½pfdis	-2.11	1-1¼dis	-1.81
Portugal	220.25 - 222.05	220.75 - 221.75	170-407cdis	-15.65	535-741dis	-11.53
Spain	178.05 - 180.00	178.05 - 178.35	132-166cdis	-10.03	868-954dis	-20.45
Italy	2177.50 - 2195.60	2190.25 - 2191.25	14-17lirerdis	-8.49	36-44dis	-7.30
Norway	10.1220 - 10.2130	10.1900 - 10.2000	9½-25¼oredis	-20.52	16½-32½dis	-9.59
France	8.4220 - 8.5105	8.4800 - 8.4900	2⅝-3cdis	-3.80	6¾-7⅝dis	-3.48
Sweden	10.6470 - 10.7460	10.7100 - 10.7200	4¼-4⅞oredis	-5.11	10½-11⅛dis	-4.08
Japan	194.50 - 198.00	197.00 - 198.00	¾-½ypm	3.80	1¾-1¼pm	3.04
Austria	17.42 - 17.58	17.52 - 17.55	2⅛-3⅛grodis	-1.80	6⅝-8½dis	-1.73
Switzerland	2.2175 - 2.2740	2.2175 - 2.2275	¼-parcpm	0.67	⅛-parpm	0.34
Ecu	1.2650 - 1.2695	1.2670 - 1.2680	0.44-0.50cdis	-4.45	1.15-1.24dis	-3.77

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.34-2.29pm . 12 Month 3.82-3.72pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5630 - 1.5885	1.5870 - 1.5880	0.46-0.44cpm	3.40	1.28-1.25pm	3.19
Ireland†	1.6540 - 1.6840	1.6800 - 1.6810	3.50-2.00cpm	19.64	6.00-4.00pm	11.90
Canada	1.2750 - 1.2785	1.2760 - 1.2770	0.48-0.55cdis	-4.84	1.25-1.35dis	-4.07
Netherlands	1.7630 - 1.7915	1.7630 - 1.7640	0.81-0.84cdis	-5.61	2.22-2.28dis	-5.10
Belgium	32.35 - 32.75	32.40 - 32.50	13.50-15.50cdis	-5.36	38.00-42.00dis	-4.93
Denmark	6.0845 - 6.1830	6.0950 - 6.1000	6.00-12.00oredis	-17.71	12.00-21.00dis	-10.82
Germany	1.5680 - 1.5835	1.5680 - 1.5690	0.74-0.75pfdis	-5.70	2.02-2.04dis	-5.18
Portugal	139.80 - 141.00	139.80 - 139.90	190-250cdis	-18.88	460-590dis	-15.02
Spain	113.65 - 113.75	113.65 - 113.75	125-135cdis	-13.72	325-355dis	-11.96
Italy	1379.75 - 1401.50	1379.75 - 1380.25	13.00-14.00liredis	-11.74	35.00-39.00dis	-10.72
Norway	6.4200 - 6.5050	6.4200 - 6.4250	0.80-2.30oredis	-2.90	1.50-3.20dis	-1.46
France	5.3425 - 5.4230	5.3425 - 5.3475	3.12-3.32cdis	-7.23	8.80-9.20dis	-6.74
Sweden	6.7475 - 6.8445	6.7475 - 6.7525	4.20-5.20oredis	-8.36	11.50-13.00dis	-7.26
Japan	124.30 - 124.95	124.35 - 124.45	0.04-0.03ypm	0.34	0.04-0.02pm	0.10
Austria	11.0730 - 11.2075	11.0875 - 11.0925	4.90-5.35grodis	-5.55	13.00-14.10dis	-4.89
Switzerland	1.3995 - 1.4495	1.3995 - 1.4005	0.32-0.34cdis	-2.83	0.92-0.95dis	-2.67
Ecu	1.2345 - 1.2490	1.2475 - 1.2485	0.83-0.80cpm	7.84	2.15-2.10pm	6.81

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Dec 7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	7 - 6⅞	6⅞ - 6¾	7⅛ - 7	7⅛ - 7	6 15/16 - 6⅞	6 13/16 - 6⅝
US Dollar	3⅛ - 3	3⅛ - 2 15/16	4 - 3⅞	3⅞ - 3⅝	3 13/16 - 3 11/16	4⅛ - 4
Can. Dollar	9 - 8¾	8⅞ - 8⅝	8⅛ - 8⅛	7⅞ - 7⅝	7½ - 7¼	7⅝ - 7¼
Dutch Guilder	8⅞ - 8¾	8⅞ - 8¾	9 - 8⅞	8⅞ - 8¾	8⅛ - 8⅛	7⅞ - 7⅝
Swiss Franc	6 - 5¾	6 - 5¾	6½ - 6⅛	6⅛ - 6¼	6¼ - 6	5 13/16 - 5 11/16
D-Mark	8⅞ - 8¾	8⅞ - 8¾	9⅛ - 9	8 15/16 - 8 13/16	8⅛ - 8⅛	7⅝ - 7⅝
French Franc	9⅞ - 9¾	10⅛ - 9⅞	10⅛ - 10	10½ - 10	9⅞ - 9⅝	9¼ - 9
Italian Lira	13½ - 11½	13⅞ - 13⅝	14⅞ - 14⅛	14½ - 14	14⅝ - 13⅞	14 - 13½
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 5⅛-5 per cent; three years 5⅞-5⅝ per cent; four years 6⅛-6 per cent; five years 6½-6⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.7	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C $	B Fr.	Pta	Ecu
£	[illegible]	[illegible]	[illegible]	[illegible]	8.485	2.223	2.800	2191.	2.019	51.50	178.2	1.268
$	[illegible]	[illegible]	[illegible]	[illegible]	5.343	1.400	1.763	1380	1.271	32.43	112.2	0.798
DM	[illegible]	[illegible]	[illegible]	[illegible]	3.408	0.893	1.124	879.9	0.811	20.68	71.57	0.509
YEN	[illegible]	[illegible]	[illegible]	[illegible]	42.96	11.26	14.18	11094	10.22	260.8	902.3	6.420
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	10.	2.620	3.300	2582	2.379	60.70	210.0	1.494
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	3.817	1	1.260	985.6	0.908	23.17	80.16	0.570
N Fl.	[illegible]	[illegible]	[illegible]	[illegible]	3.030	0.794	1	782.5	0.721	18.39	63.64	0.453
Lira	[illegible]	[illegible]	[illegible]	[illegible]	3.873	1.015	1.278	1000.	0.921	23.51	81.33	0.579
C $	[illegible]	[illegible]	[illegible]	[illegible]	4.203	1.101	1.387	1085	1	25.51	88.26	0.628
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	16.48	4.317	5.437	4254	3.920	100.	346.0	2.462
Pta	[illegible]	[illegible]	[illegible]	[illegible]	4.762	1.247	1.571	1230	1.133	28.90	100.	0.712
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	6.692	1.753	2.208	1728	1.592	40.62	140.5	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

Strike	Calls January	Calls March	Calls June	Puts January	Puts March	Puts June
109	-	2.53	-	0.06	0.43	-
110	-	1.81	-	0.18	0.68	-
111	0.61	1.19	-	0.50	1.06	-
112	0.21	0.74	-	-	-	-
113	0.03	0.40	0.97	-	-	-
Open Int	17,577	180,822	23,100	8,765	146,788	15,620

Estimated volume 15,424 † Total Open Interest 392,672
† All Yield & Open Interest figures are for the previous day.

	Open	High	Low	Prev.
Dec	2760.0	2792.0	2754.0	2768.0
Mar	2788.0	2820.0	2786.0	2795.5
Jun	2809.0	2832.0	2829.0	2816.0

Estimated volume 10439 (7302)
Previous day's open int. 46219 (46080)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5875	1.5830	1.5748	1.5643	1.5498

BASE LENDING RATES

	%		%		%
Adam & Company	7	Credit Lyonnais	7	McDonnell Douglas Bnk.	7
Allied Trust Bank	7	Cyprus Popular Bk	7	Midland Bank	7
AIB Bank	7	Duncan Lawrie	7	Mount Banking	7
● Henry Ansbacher	7	Equatorial Bank plc	7	NatWestminster	7
B & C Merchant Bank	13	Exeter Bank Limited	8	Northern Bank Ltd	7
Bank of Baroda	7	Financial & Gen. Bank	8	Nykredit Mortgage Bank	7.5
Banco Bilbao Vizcaya	7	● Robert Fleming & Co.	7	● Rea Brothers	7
Bank of Cyprus	7	Girobank	7	Roxburghe Bank Ltd.	9
Bank of Ireland	7	● Guinness Mahon	7	Royal Bk of Scotland	7
Bank of India	7	Habib Bank AG Zurich	7	● Smith & Williamson Secs.	7
Bank of Scotland	7	● Hambros Bank	7	Standard Chartered	7
Barclays Bank	7	Hampshire Trust Plc	13.5	TSB	7
Brit Bk of Mid East	7	Heritable & Gen Inv Bnk.	7	Unibank plc	7
● Brown Shipley	7	● Hill Samuel	7	● United Bk of Kuwait	7
Cl. Bank Nederland	7	C. Hoare & Co.	7	Unity Trust Bank Plc	7
Citibank NA	7	Hongkong & Shanghai	7	Western Trust	7
City Merchants Bank	7	Julian Hodge Bank	7	Whiteaway Laidlaw	7
Clydesdale Bank	7	● Leopold Joseph & Sons	7	Yorkshire Bank	7
Co-operative Bank	7	Lloyds Bank	7		
Coutts & Co	7	Meghraj Bank Ltd	7		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

MONEY MARKETS

Futures hit in late trade

STERLING futures fell as dealers adjusted positions yesterday and the belief hardened that base rates will remain at 7 per cent for the next few months, *writes Peter John.*

The March contract opened marginally higher but a rally was unsustainable and it drifted back throughout the day. Then, shortly before the official close, the contract was hit again and sold down to 93.27. The pressure came from a large options-related trade. Dealers said one financial house had sold short sterling and written more than 2,200 March 93.25 sterling calls.

UK clearing bank base lending rate 7 per cent from November 13, 1992

At the official close, March short sterling was around its lows of the day with more than 22,000 contracts dealt. It was joined by the franc and D-Mark contracts which also retreated from expectations that interest rates are about to fall. March Pibor settled 25 basis points lower at 91.30 while the March Euromark contract fell 14 to 92.14.

Meanwhile, cash rates remained steady with three-month Libor holding at 7⅛. There was some pressure at the shorter end as a result of a lower than expected liquidity shortage forecast from the Bank of England. Expectation that the shortage would easily be taken out meant that few people would be interested in borrowing overnight. The rate dropped to 6¼ per cent as the Bank forecast a shortage of around £100m, up to £200m below some estimates.

Among the main factors affecting the position were exchequer transactions, expected to remove £775m from the system, take-up of treasury Bills and paper maturing in official hands and bankers' balances below target. These were partly offset by a fall in note circulation adding £780m.

The Bank did not operate in the money market at midday, nor in the afternoon, but later revised its shortage forecast to £250m. During late assistance, the period when the term of loans are not mentioned, the central bank provided £180m.

It also announced the roll-over details of the *temporary arrangement first* made available on September 18 to help money market liquidity after the collapse of sterling on Black Wednesday. The Bank yesterday set a weekly rate of 6⅜ per cent on the agreement.

Meanwhile, German call money, which is reflected by the narrow money supply band, firmed slightly to about 8.90 per cent after Friday's 8.85 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.7) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3 5/16	offer 3 7/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Lunchtime

Prime rate	6
Broker loan rate	5
Fed.funds	3⅛
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	3.24	Three year	5.17
Two month	3.34	Five year	6.04
Three month	3.33	Seven year	6.44
Six month	3.47	10-year	6.79
One year	3.67	30-year	7.48
Two year	4.62		

Dec.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.85-8.95	8.90-9.10	8.85-9.00	8.85-9.00	8.50-8.65	9.50
Paris	9⅞-10	10⅛-10½	-	10-10½	-	9.10
Zurich	5¾-6	6½-6⅝	-	6¼-6⅜	-	-
Amsterdam	-	-	-	-	-	-
Tokyo	3 13/16-3 11/16	3¾-3 11/16	-	-	-	-
Milan	12¾-13	14 11/16-14 13/16	-	14 11/16-14 13/16	-	-
Brussels	8¼-8⅝	8 13/16-8 15/16	-	8¼-8⅝	-	-
Dublin	20-25	21-23	18-20	16¼-18	14½-16	-

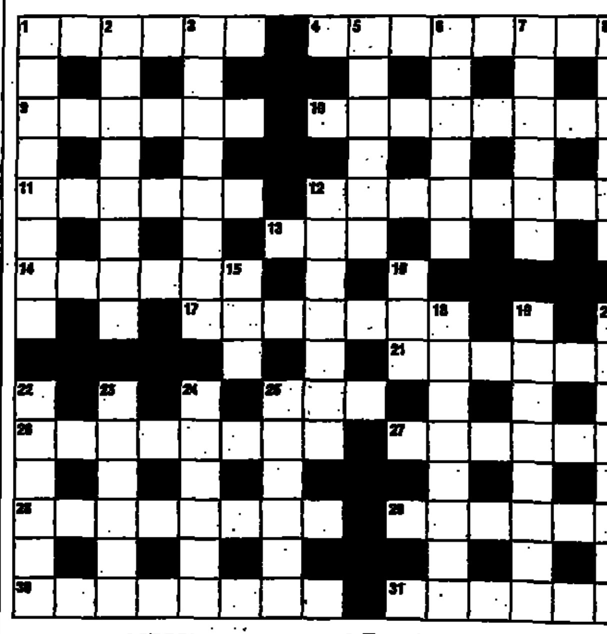
LONDON MONEY RATES

Dec 7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8	7	7 3/16	7⅛	6 15/16	6 13/16
Interbank Bid	6	6⅝	6 15/16	7	6 13/16	6 11/16
Sterling CDs	-	-	7	6 13/16	6 11/16	6 11/16
Local Authority Deps.	7	7	7 1/16	7 1/16	6 15/16	6 13/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	7	6¾	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	7	7	6 11/16	6¾
Treasury Bills (Buy)	-	-	6⅞	6 13/16	6½	-
Bank Bills (Buy)	-	-	6 15/16	6 13/16	6½	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.40	3.35	3.48	3.90
SDR Linked Dep. Offer	-	-	5⅜	5 5/16	5⅜	5 5/16
SDR Linked Dep. Bid	-	-	5⅛	5 3/16	5¼	5 3/16
ECU Linked Dep. Offer	-	-	11⅞	10 15/16	10¼	9⅜
ECU Linked Dep. Bid	-	-	11⅝	10 11/16	10⅛	9⅛

Treasury Bills (sell): one-month 6⅝ per cent; three months 6 9/16 per cent; six months 6⅜ per cent; Bank Bills (sell): one-month 6⅞ per cent; three months 6 11/16 per cent. Treasury Bills: Average tender rate of discount 6.4035 . ECGD Fixed Rate Sterling Export Finance. Make up day November 30 ,1992 . Agreed rates for period December 26, 1992 to January 25 , 1993 Scheme I: 8.71 p.c., Schemes II & III: 8.54 p.c. Reference rate for period October 31, 1992 to November 30 , 1992, Scheme IV&V. 7.267 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 8 from December 1 , 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6). Deposit £100,000 and over held under one month 4¾ per cent, one-three months 7 per cent; three-six months 6½ per cent; six-nine months 6¼ per cent; nine-twelve months 6 per cent; Under £100,000 4¾ per cent from Oct 20, 1992. Deposits withdrawn for cash 4 per cent

CROSSWORD

No.8,023 Set by ALAUN



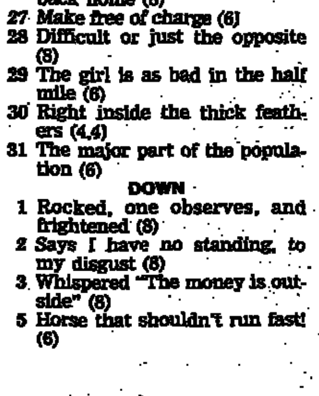
ACROSS

1 Ill-dressed nun, bedraggled baby (6)
4 Arrived and put to shame (6,2)
9 This time one has a double (6)
10 Hold the attention of in return (8)
11 One's all prepared when the twit comes round (6)
12 *The occupant let the players* in (8)
13 "That woman" is in hard back again (3)
14 Nibbled the Brighton rock? (6)
17 Rang back from the valley to get assistance (7)
21 A hollow, or hole, in the wood (6)
25 He sells cloth (3)
26 Got the boat out to take one back home (8)
27 Make free of charge (6)
28 Difficult or just the opposite (8)
29 The girl is as bad in the half mile (6)
30 Right inside the thick feathers (4,4)
31 The major part of the population (6)

DOWN

1 Rocked, one observes, and frightened (8)
2 Says I have no standing, to my disgust (8)
3 Whispered "The money is outside" (8)
5 Horse that shouldn't run fast! (6)
6 Found in the granary, half were bad (6)
7 Considered getting into the act myself (6)
8 Possibly a *chip shot* at the hole (6)
12 Came back in the red, the pile having been dissipated (7)
15 Acted up too (3)
16 Woman who was turned to *stone* (3)
18 A big nipper! (8)
19 Pass the rope up – that's great (8)
20 Excessive, could be lessened (8)
22 Broke open when made to (6)
23 The attitude in ascent is different (6)
24 Draw the shade when having rows (6)
25 Get the guard back to pick another ticket (6)

Solution to Puzzle No.8,022



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Dec 7	Dec 4	Dec 3	Dec 2	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3307.33	3288.68	3276.53	3286.25	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.76	102.62	102.52	102.44	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1424.43	1430.27	1435.91	1426.85	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.58	216.57	216.45	217.39	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl Day's High 3320.56 (3312.46) Low 3274.37 (3261.40) (Theoretical)
Day's High 3307.60 (3298.95) Low 3288.68 (3272.75) (Actual)

STANDARD AND POOR'S

	Dec 7	Dec 4	Dec 3	Dec 2	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	435.31	432.06	429.91	429.89	435.31 (7/12)	394.50 (8/4)	435.31 (7/12/92)	4.40 (1/6/32)
Industrials	510.87	507.00	504.39	504.59	510.87 (7/12)	470.91 (8/4)	510.87 (7/12/92)	3.62 (21/6/32)
Financial	39.60	39.35	39.07	38.96	39.60 (7/12)	32.40 (8/4)	39.60 (7/12/92)	8.64 (1/10/74)
NYSE Composite	239.36	237.77	236.76	236.74	239.36 (7/12)	217.92 (8/4)	239.36 (7/12/92)	4.46 (25/4/42)
Amex Mkt. Value	394.36	394.95	393.68	392.56	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	666.53	661.60	656.36	652.91	666.53 (7/12)	547.84 (26/6)	666.53 (7/12/92)	54.87 (31/10/72)

	Dec 4	Nov 27	Nov 20	year ago (approx.)
Dow Industrial Div. Yield	3.13	3.14	3.19	3.17

	Dec 2	Nov 25	Nov 18	year ago (approx.)
S & P Industrial div. yield	2.61	2.62	2.65	2.80
S & P Indl. P/E ratio	26.71	26.63	27.71	22.79

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Am Express	8,867,900	24¾	+ 1½
Home Shop	3,512,900	6¼	..
Chrysler	3,007,100	32¼	+ ⅝
West Elec	2,700,100	13¼	+ ¼
Gen Motors	2,409,200	34¼	+ ¼
Glaxo	2,216,400	26⅜	+ ⅝
Merck	1,893,700	46⅛	+ ⅝
Sprint	1,706,600	25¼	+ ⅜
IBM	1,665,600	65⅞	- 1¼
Phil Elec	1,623,600	25½	-

TRADING ACTIVITY

† Volume (Millions)	Dec 7	Dec 4	Dec 3
New York SE	217.700	227.410	237.990
Amex	15.751	14.655	16.407
NASDAQ	226.273	261.112	239.035
NYSE			
Issues Traded	2,404	2,404	2,393
Rises	1,209	991	912
Falls	654	756	872
Unchanged	541	657	609
New Highs	120	115	81
New Lows	14	17	20

CANADA

TORONTO	Dec 7	Dec 4	Dec 3	Dec 2	1992 HIGH	1992 LOW
Metals & Minerals	2756.97	2759.39	2747.71	2777.06	3238.87 (16/1)	2529.91 (17/11)
Composite	3293.09	3289.40	3264.90	3265.25	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1736.53	1736.59	1726.36	1726.06	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Dec 8	Dec 7	Dec 4	Dec 3	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1468.9	1444.7	1435.2	1433.8	1684.50 (22/5)	1357.20 (16/11)
All Mining (1/1/80)	574.9	559.6	559.8	557.8	726.80 (3/7)	545.40 (16/11)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	311.67	310.42	309.59	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	(c)	755.75	754.31	751.54	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1130.02	1129.68	1129.15	1127.22	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	264.47	264.03	263.56	264.09	365.29 (15/1)	250.42 (28/10)
FINLAND						
HEX General (28/12/90)	881.7	870.0	856.9	843.8	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	470.88	471.31	474.82	475.16	555.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1765.88	1788.61	1781.68	1799.43	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	596.40	602.52	602.21	602.82	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1686.2	1703.0	1702.70	1704.3	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1508.24	1525.32	1522.16	1532.5	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	5202.36	5191.75	5266.10	4978.21	6447.11 (12/11)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1168.33	1176.74	1188.92	1194.36	1469.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	(c)	430.92	423.55	426.46	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	(c)	849.0	835.0	840.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17281.85	17207.12	17295.69	17260.08	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1304.86	1300.41	1302.85	1304.08	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1682.48	1678.08	1680.14	1677.76	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	635.93	635.56	637.61	636.40	660.35 (5/11)	546.63 (14/1)
NETHERLANDS						
CBS Tot.Rtn Gen.(End 1983)	292.4	291.7	291.2	290.6	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	196.8	196.4	196.0	195.6	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	653.94	666.08	667.06	670.13	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1278.59	1284.24	(c)	1279.54	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	377.58	379.10	379.37	379.85	416.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	859.0	864.0	885.0	905.0	1327.00 (21/1)	746.00 (10/11)
JSE Industrial (28/9/78)	4357.0	4295.0	4268.0	4258.0	4689.00 (4/6)	3936.00 (19/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	625.61	616.21	635.28	638.93	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	(c)	(c)	211.67	211.40	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	886.4	871.4	864.4	882.6	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	874.1	871.7	865.9	862.0	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	649.4	647.3	643.9	641.0	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3761.01	3755.77	3651.39	3614.08	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangkok SET (30/4/75)	847.90	(c)	860.33	868.59	963.03 (5/1)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) (\$)	498.6	495.9	493.2	492.7	542.10 (7/1)	467.50 (8/9)
Euro Top-100 (26/6/90)	855.53	856.36	851.97	855.90	976.55 (25/5)	772.52 (5/10)

**Saturday December 5: Taiwan Weighted Price 3,727.95, Korea Comp Ex. 623.25
▼ Subject to official recalculation. †Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday, December 8, 1992

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	2.8m	292	+3
Citizen Watch	2.4m	951	+16
Mitsubishi Heavy	2.0m	548	+3
Mitsui Electric	1.9m	1,090	+60
NPN Steel	1.8m	298	
Mitsui Mining	1.7m	489	+8
Suzuki Motor	1.7m	833	+18
Komatsu	1.6m	681	-4
Konami	1.6m	3,380	+370
Tokyo Ink M&F	1.5m	508	

3 pm December 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16¾	11	AAR Corp	0.48	4.0	19	466	12	11¾	11⅞	-⅛
28½	18	A L Labs A	0.18	0.8	146	422	23⅜	23	23¼	+⅜
68¼	52⅝	AMP Inc	1.62	2.7	21	1279	57⅛	56¼	57	
80¼	54⅛	AMR				123774	63⅛	62½	62⅞	+⅛
2⅛	1⅜	ARX			13	73	2	1⅞	2	+⅛
53½	30½	ASA	2.00	6.0	22	120	33¼	33⅛	33¼	-⅛
34¼	26⅛	Abbott Lab	0.60	1.9	22	4289	31¼	31¼	31⅜	
13⅞	10⅛	Abitibi Pr	0.40	3.6	6	6	11	11	11	
11⅝	10⅛	ACM Gvt In x	0.94	8.6		77	10⅞	10¾	10⅞	
10⅛	9⅛	ACM GvOpp x	0.73	7.7		64	9½	9⅜	9½	+⅛
9¼	8½	ACM Gvt Sp x	0.91	10.3		203	8⅞	8¾	8⅞	
11⅜	9⅞	ACM Gvt Se	1.01	9.7		288	10⅜	10¼	10⅜	+⅛
10⅝	8⅝	ACM Man x	0.86	8.6		208	10	9⅞	10	
12⅞	8⅝	ACM Mangd x	0.93	10.5		182	8⅞	8¾	8⅞	
11¾	4¼	Acme Cleve	0.40	4.7	16	91	8¾	8½	8½	-¼
6½	3¾	Acme Elect			125	435	u6½	5⅞	6¼	-¼
33¼	14⅞	Acuson			13	922	17⅜	17	17¼	+⅛
21	18⅛	Adams Expr	1.62	8.1	1	40	20	19⅞	20	+⅛
49⅛	29½	Ad Micro x	3.00	6.7		424	44⅜	44¼	44⅝	+½
21½	7½	Ad Micro P	3.00	16.9		56375	18	17⅝	17¾	+⅛
9⅛	4⅞	Advest Grp	0.16	2.6	12	5	6⅛	6⅛	6⅛	
42¼	33	Aegon ADR	1.35	3.2	7	634	41¾	41¼	41¾	+¼
48¼	38	Aetna Ll	2.76	5.7	14	1875	u48⅞	48	48⅛	
12¾	8⅜	Ahmt A	0.24	2.0	15	1189	11⅞	11⅝	11¾	+⅛
34	24	Aflac	0.44	1.4	14	1281	32⅛	31¼	32⅛	-¼
19⅞	13	Ahmanson	0.88	5.1	8	1840	17¼	17	17⅛	
22½	4	Aileen Inc			17	1417	10⅛	9¾	10⅞	+½
49½	38½	Air Pr Chm	0.86	1.8	19	815	47¾	47½	47⅝	+½
29¾	12½	Airbrne Frt	0.30	1.6	104	183	18¾	18⅜	18¾	+⅛
21½	11¼	Airgas Inc			30	68	20⅜	20	20	-⅞
12⅜	8⅛	Airlease	1.68	15.4	8	30	11	10⅞	10⅞	
104	99	AlaP w8.16 x	8.16	8.0		5	101½	101½	101½	+1½
105	100¼	Alab 8.28C x	8.28	8.0		9	103½	103	103	+½

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
82¼	66½	Xerox x	3.00	3.8	16	1186	78½	77⅞	78½	+⅝
65	50½	Xerox4.125 x				2	52⅞	52⅞	54	+1
41½	24⅞	Xtra 1.94	1.94	4.8		682	41⅞	40½	40⅝	−⅛
57⅝	28½	Xtra Corp	0.80	1.4	15	722	57⅞	56¼	56⅝	−⅛
30⅞	25¼	Yankee Egy	1.66	5.9	12	40	28	27⅞	28	+¼
1½	½	Zapata			43	244	11/16	⅞	⅞	
11⅛	5	ZenithElec			2	448	6¾	6½	6⅝	+⅛
19½	14½	Zenith Nat	1.00	6.0	8	5	16¾	16¾	16¾	−⅛
7½	6	Zenix Inc	0.83	12.8		106	6⅝	6½	6½	−⅛
13¾	10	Zero Corp	0.40	3.0	20	168	13⅝	13⅛	13⅛	−⅛
38	27¾	Zurn Ind	0.88	2.4	42	66	37¼	37	37⅛	−⅛
14⅛	12	Zweig Fund	1.12	8.8		172	13	12⅞	13	
11	9½	Zweig Totl x	0.96	9.5		232	10⅛	10	10⅛	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm December 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	29	657	14⅛	14	14	−¼
Perini	0.80	17	71	18	17¾	17¾	+¼
Pet HI&P	1.14	11	z100	16½	16½	16⅝	+⅛
Phil LD	0.25	15	61	36⅞	36¼	36⅞	+¼
Pitway A x	1.10	16	6	33⅝	33⅝	33⅝	
Ply Gem	0.12	23	221	11⅞	11½	11¾	
PMC	[illegible]	[illegible]	20	12¼	12⅛	12⅛	+⅛

NASDAQ NATIONAL MARKET

3 pm December 8

- W -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Warner Es	0.08	22	175	u22	21¼	21⅞	−⅜
Warrntech		50	1672	3 3/16	2 13/16	3	
WashMutSB	0.56	10	2769	31⅞	31	31⅛	−½
WashFedSL	0.84	11	496	28¾	28¼	28¼	+¼
WattsIndA x	0.28	18	314	48½	48	48½	
Wausau PM	0.34	17	140	45½	44¼	45	−½
WD - 40	1.80	17	150	42½	41¼	41¼	−1
Welltek		3	145	5¼	5	5¼	
West One	1.04	12	27	48½	47¾	48½	+¾
WestnPubl		24	607	22⅛	21⅝	21⅞	−⅛
Wst SealA		20	386	9¼	8	9	+¼
Willamette	0.84	23	1209	37¼	36¾	36¾	−1
WmsSonoma		73	1117	11½	10	11	−½
Wiser Oil	0.40	462	285	14	13¾	13⅞	−⅛
Wolohan L x	0.28	15	30	u23¼	22½	23¼	+¾
Wolv Expl		0	629	1/32	d1/16	1/32	+1/32
WrvExWBDA			140	1/16	d1/32	1/32	
Worthgtn x	0.48	24	424	23¼	22⅝	23⅛	+⅛
WPP Group	1.11	1	1109	1 7/16	1 5/16	1 7/16	+1/16
Wyman-Gdn	0.40	1	374	5¼	5	5⅛	

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		25	9746	23¼	21¾	23	+1½
Xoma Corp		5	5348	12¾	11⅝	12⅛	+¼
Yellow Fr	0.94	22	127	28¼	28⅛	28¼	
York Rsch		7	259	7⅛	7	7 1/16	−1/16
ZionsUtah	1.44	11	5	72	71	71½	−½

AMERICA

Dow falls back as investors take profits

Wall Street

US shares traded in a narrow range as investors took profits after the recent gains, pulling secondary indices from their record highs, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 3.51 at 3,303.82, *having spent* the morning no more than a few points either side of Monday's close. The more broadly based Standard & Poor's dropped 0.47 to 434.84, while the Amex composite slipped 0.69 to 393.67 and the Nasdaq composite fell 1.56 to 664.97, off its all-time high. Turnover on the NYSE was 140m shares by 1pm, and declines outpaced rises by 885 to 748.

Enthusiasm was dampened in early trading by rumours that Germany might raise interest rates. Although economists do not believe the Bundesbank would raise rates, the rumours supported the view that German interest rates are not likely to fall in the near future.

Otherwise, trading was dominated by technical considerations in the absence of any domestic economic data. Traders felt that following recent gains, the market looked slightly overbought, and suggested that if the rally was to be sustained over the longer term, some selling and consolidation would be required before prices moved higher again.

Boeing eased $1/4 to $34 3/4 in turnover of more than 1/4m shares amid growing concern that the aircraft manufacturer would be hit by industrial action following Monday night's vote by the Seattle Professional Engineering Employees Association to reject a three-year contract from Boeing. Talks were scheduled yesterday between management and unions.

IBM fell $3/4 to $65 in busy trading after Merrill Lynch, the broking house, warned that the computer maker might have to take additional charges in the fourth quarter.

Various big stocks reacted to some late earnings reports. HJ Heinz firmed $3/4 to $44 after *announcing fiscal second quarter* profits of $154.2m, up from $122.8m at the same stage a year ago. Deere & Co jumped $1 3/4 to $39 3/4 on news that the agricultural equipment manufacturer earned $37.4m in the fourth quarter ended October 31, a substantial turnround from the $30.2m loss incurred *at the same stage of 1991* (although that was affected by big restructuring charges).

Times Mirror fell $3/4 to $30 on news that it expected to take special charges against its fourth quarter earnings to cover costs related to a restructuring at its Matthew Bender unit, a voluntary separation programme at the Los Angeles Times, and changes in accounting procedures.

General Motors climbed $3/4 to $34 3/4 in turnover of 1.6m shares after Kidder, Peabody, the broker, reiterated its "buy" recommendation and said the stock was due for a significant upward move over the next few months.

Canada

TORONTO stocks were slightly weaker at midday following some light losses on Wall Street, but traders said expectations of a sharp drop in the Bank of Canada's key rate later in the day buoyed up activity. The TSE-300 index fell 6.6 to 3,281.5 in volume of 28m shares valued at C$244m. Declines outpaced advances by 259 to 219 with 308 unchanged.

SOUTH AFRICA

INDUSTRIAL shares were sharply higher as demand hit a thin market. The overall index gained 41 to 3,281, on the back on a 62-point jump in the industrial index to 4,357. Anglos rose R2 to R91.25.

The gold index fell 6 to 858 as gold shares gave a muted reaction to a higher bullion price.

De Beers gained R1.65 to R59.65, slightly off its day's high, while Anglos moved up R2 to R91.25, Richemont went up 80 cents to R37.10 and JCI added R1.50 to R53.

EUROPE

Bad company reports hit senior bourses

NEGATIVE announcements from the corporate sector upset German and French equities yesterday. Milan, Vienna, Madrid and Lisbon were closed for a religious holiday, *writes Our Markets Staff.*

FRANKFURT closed at its lowest level for nearly a month on the publication of disappointing 10-month results from Deutsche Bank. The DAX index fell 17.08 to 1,508.24 as turnover rose to DM4.1bn from DM3bn.

News late on Monday night that Northwest Airlines had cancelled a $3.5bn order with the Airbus consortium, which includes Daimler, down DM8.60 at DM523, also depressed sentiment. However, Mr Michael Geiger at County NatWest comments that the cancellation of the 74 aircraft represents only 4.5 per cent of the total order book and is therefore unlikely to have serious long-term consequences for the consortium.

Deutsche, the last of the big banks to release its figures, had been expected to turn in disappointing earnings but the 5 per cent decline was below many forecasts and the shares dipped DM13.90 or 2 per cent to DM653.10. Commerzbank eased DM2.20 to DM241.80 and Dresdner was DM2.70 lower at DM350.80.

Dr Reinhard Fischer, head of German equities at Paribas in London, believes that that overall the banking sector still offers growth potential in 1993. He forecasts earnings growth of some 7 per cent for the banking sector next year, against a rise of 5 per cent for other constituent companies of the DAX index.

The engineering group Deutsche Babcock added DM2.30 to DM145.30 on news that earnings would rise in the 1991/92 year and that it hoped to resume dividend payments next year.

PARIS was dragged down by Elf which dropped 4.1 per cent following its chairman's profit warning, published after the close on Monday. Elf, one of the most heavily weighted stocks in the CAC-40 index, closed FFr14 lower at FFr332 and the index fell 22.73 or 1.3 per cent to 1,765.88. Turnover was steady at FFr1.9bn.

Other losers included Lyonnaise des Eaux-Dumez, down FFr17 or 3.4 per cent at FFr482 on news that it would inject FFr460m into its building subsidiary, Dumez. Havas lost another FFr20 or 4.8 per cent to FFr401 in the wake of its chairman's cautious trading statement on Monday.

Euro Disney jumped FFr1.7 or 3 per cent to FFr58.65. The stock has fallen to a record low recently and there were reports that the US broker had bought the shares aggressively yesterday morning as it closed out a bear position.

ZURICH closed firmer but below the day's highs as buying in the second round of trading was not sufficient to offset earlier profit-taking on a weaker dollar. The SMI added 7.7 to 1,962.2 after the day's high of 1,967.4.

Buying interest centred almost exclusively on blue chips, while second-tier shares were under selling pressure. Ciba registered shares, SFr8 higher at SFr596, topped the active list, followed by Roche PCs, SFr20 firmer at SFr3,950. Schindler bearers fell SFr150 to SFr2,950.

AMSTERDAM saw further weakness in cyclicals as the CBS Tendency index closed unchanged at 105.8. Among chemicals, DSM was Fl 1.40 down at Fl 80.50 and Akzo Fl 2.00 lower at Fl 134.70.

Rodamco, the country's largest property investment group, shed Fl 1.20 to Fl 46.00 on news that its investment losses had widened in the first nine months.

STOCKHOLM rose further as the bourse took its cue from advances on Wall Street. The Affärsvärlden General index added 15.0 or 1.7 per cent to 886.4 in turnover of SKr579m after SKr451m.

The industrial group Incentive AB rose another SKr5 to SKr163 on the back of a positive nine-month *earnings* report and the forecast of improved profits in 1992, Volvo *jumped* SKr14 to SKr332.

The banking sector finished as the day's winner, up 5.8 per cent. S-E Banken rose SKr0.50 to SKr16 while Handelsbanken added SKr1 to SKr33.

OSLO fell 1.8 per cent in reaction to recent strong gains fuelled by speculation about a currency devaluation. The all-share index fell 6.68 to 369.53 in thin turnover of NKr183m.

Norsk Hydro closed NKr3.5 lower at NKr146.5 while Saga was down NKr1 at NKr66.

HELSINKI closed higher for a third consecutive day and the HEX index rose 11.7 to 851.7.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

December 8 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1053.15	1051.18	1050.05	1049.09	1048.72	1050.80	1051.49	1051.12
FT-SE Eurotrack 200	1133.38	1132.60	1131.45	1132.05	1133.01	1135.21	1136.15	1135.54

	Dec 7	Dec 4	Dec 3	Dec 2	Dec 1
FT-SE Eurotrack 100	1056.02	1052.78	1055.11	1052.11	1056.79
FT-SE Eurotrack 200	1137.52	1133.53	1136.09	1136.96	1135.62

Base value 1000 (26/10/90) High/day: 100 - 1053.29; 200 - 1137.21 Low/day: 100 - 1048.00 200 - 1130.63

ASIA PACIFIC

Nikkei gains on late institutional support

Tokyo

DEALERS and investment trusts supported share prices late in the day and the Nikkei average gained marginally at the end of a quiet and cautious trading session, *writes Emiko Terazono in Tokyo.*

The 225-issue index gained 74.73 to 17,281.85 after a low of 17,135.81 and a high of 17,332.70. The index fell during the first hour on small-lot profit-taking, but later reversed its course on buying by public *funds and foreign investors.*

Volume remained subdued at 180m shares against 140m. *Advances led declines by 549 to* 373 with 163 issues unchanged. The Topix index of all first section stocks gained 4.45 to 1,304.86 and in London the ISE/Nikkei 50 index rose 1.85 to 1,055.42.

Companies bought shares for employee stock ownership plans, while public funds gave support by placing buy orders just below market levels.

Most investors remained on the sidelines ahead of Friday's Bank of Japan's tankan, or quarterly survey of business sentiment. They were also waiting for a cabinet reshuffle, expected this weekend.

Meanwhile, Friday's settlement for futures and options December contracts is generally expected to have little impact on share prices. Mr Masa Sato at SG Warburg said that most of the large-lot futures players have already adjusted positions and there *has been little trading in* December options contract.

Large-capital, interest rate-sensitive stocks were sought on lower money market rates. Kawasaki Steel was the most active issue of the day, rising Y3 to Y292, and Mitsubishi Heavy gained Y3 to Y548.

Housing issues rose on reports that the government was considering implementing tax breaks for individuals who renovate houses. Daikyo gained Y35 to Y770 and Misawa Homes rose Y30 to Y1,070.

Konami, the video game maker, advanced Y370 to Y3,280. High-tech toy makers have recently been popular due to high earnings growth prospects.

Dealers targeted companies which expect a rise in profits in the current year. Citizen Watch gained Y16 to Y831 and Suzuki Motor rose Y18 to Y833.

Sankyo, the pharmaceutical company, rose Y30 to Y2,430 on reports of plans to market its diabetic drug next year. The company also expects a 25 per cent rise in pre-tax profits for the current year to March.

In Osaka, the OSE average gained 53.84 to 18,686.00 in volume of 21.7m shares.

Roundup

AUSTRALIA continued to benefit from a switching of funds out of Hong Kong, as institutional investors remained nervous about the longer-term prospects for the colony. Indian stock markets remained closed because the unrest.

HONG KONG reversed an early 90-point fall, encouraged that yesterday's meeting of the Sino-British Joint Liaison Group went ahead. There had been fears that the Chinese would pull out of the talks following last week's disagreement between the two nations.

The Hang Seng index closed 10.61 higher at 5,202.36 in moderate turnover of HK$2bn.

Utilities were among the day's active issues: Hongkong Telecom rose 5 cents to HK$8.85 and China Light was *up 10 cents at HK$30.*

AUSTRALIA was boosted by Wall Street and the switching of funds out of other markets in the region, particularly Hong Kong. The All Ordinaries index advanced 24.2 to 1,468.9 in turnover of A$344.8m.

BHP was among the day's most actives with a 36-cent rise to A$12.06. News Corp, which saw an intraday high of A$32.12, closed up 30 cents at A$29.80.

TAIWAN's weighted index moved in a narrow range before closing 5.24 higher at 3,761.01 in turnover of T$10.2bn.

Analysts said that sentiment remained positive ahead of the parliamentary elections later this month. The electric, financial and plastic sectors made minor gains, with China Steel up 20 cents at T$16.30.

SINGAPORE's Straits Times *Industrial index eased 6.10 to* 1,434.03 as activity remained lacklustre. Losers included SIA Foreign and Jurong Shipyard, both down 10 cents at S$16.30 and S$7.65 respectively.

MANILA fell on profit-taking. The composite index lost 5.65 to 1,278.59 in combined turnover of 311m pesos. Philippine National Bank lost 6 pesos to 230 pesos.

SEOUL rose for the first time in six days as the composite index advanced 9.40 to 625.61.

KUALA LUMPUR rose marginally in the absence of fresh corporate news. The composite index put on 0.37 to 625.93 in turnover of M$238m. Bargain-hunting supported some stocks, including Tenaga, up 15 cents at M$9.60 and Telekom, up 10 cents at M$14.00.

NEW ZEALAND saw Fletcher Challenge continue to recover as its shares rose 8 cents to NZ$2.39, *helping to lift* the NZSE-40 index 14.12 to 1,526.87. Turnover was moderate at NZ$26m.

Carter Holt Harvey put on 6 cents to NZ$2.84, Lion Nathan gained 1 cent to NZ$3.91. Air New Zealand went against the trend with a 5-cent decline to NZ$2.85.

European shipbuilders face a brighter future

But recovery is still some way off, writes John Pitt

European shipbuilders have been hit hard this year by a combination of negative factors: a weak dollar, falling tanker rates and volatility in European financial markets over economic convergence.

However, some analysts believe that the sector may be reaching the bottom of the present cycle and forecast an upturn as the scrapping of older vessels accelerates over the next few years, thereby reducing the present surplus capacity.

Mr Ole Slorer, a transport analyst at County NatWest, says that the world's VLCC tanker fleet (Very Large Crude Carriers ranging from 200,000 to 300,000 dead weight tonnes) has "a heavily skewed age profile with some 50 per cent of the fleet built in the 1972-1976 period".

With a tanker having an average life of 20 years, Mr Slorer notes that "once *scrapping commences the concentrated age profile* will lead to a very rapid contraction of tonnage".

Kvaerner, Europe's largest shipbuilder and the fifth-largest in the world, has seen its free shares slip from a year's high of NKr229 ($38) in January to a low of NKr117 in early September. The price has come back recently on the dollar's strength, closing at NKr135 yesterday.

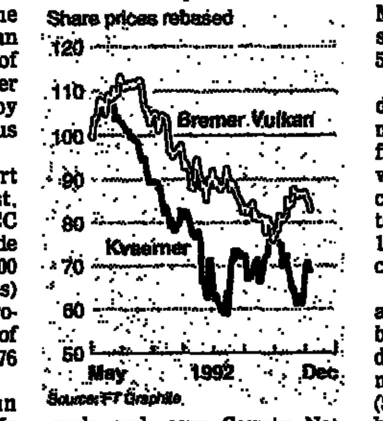
However, some analysts believe that the group is in a good position to benefit from a turnround in the sector. Its eight-month results were upset by heavy losses in its mechanical engineering unit, while the shipbuilding division, *accounting for some 30 per cent of* group sales, showed a healthy 46 per cent rise in profits to NKr494m.

The group's recent acquisition of the Warnow shipyard in east Germany has strengthened its European network of yards and, says County NatWest, a shipbuilding order *book of NKr14bn* "puts Kvaerner in a position to achieve substantial profits growth".

Merrill Lynch notes that both Kvaerner's Finnish and Norwegian yards are now operating profitably while the Govan shipyard in Scotland, bought from the UK government in 1989, although still lossmaking, is showing signs of improvement.

The broker concludes by arguing that the current p/e ratio of around 7 times appears low and suggests that a multiple of 8 to 9 times "would be more appropriate for the group at this stage *of the business cycle, implying* a price of around NKr180".

Share prices rebased



Source: FT Graphite

Bremer Vulkan, Germany's *largest marine technology and* shipbuilder, is forecast by some analysts to have the potential for a rapid growth in earnings following a strategy of reorganisation and cost-cutting. Its recent acquisition of the east German shipbuilder MTW is likely to increase its shipbuilding capacity by some 50 per cent.

The group has also been diversifying further into marine electronics and away from shipbuilding: the latter, which had accounted for 66 per cent of sales in 1982, had fallen to 43 per cent by the end of 1991, and this trend is set to continue.

The group has been helped, as with most European shipbuilders, by government subsidies which are currently running at some DM30m-35m ($19m-22m) year. It will also benefit from last month's announcement that subsidies *to the German industry are to* virtually double next year.

Mr Alex Magona, German analyst at Map Securities in London, forecasts that the group will resume dividend payments in 1993, coinciding with the company's centenary year, after a 16-year suspension.

However, the transport team at County NatWest is more cautious: while acknowledging that the shipbuilding order book is healthy, "high profitability is unlikely until the second half of the decade," it says, rating the stock as neutral *over the long term.*

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY DECEMBER 7 1992								FRIDAY DECEMBER 4 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	116.47	+0.7	108.78	91.59	94.98	111.86	+0.7	4.34	115.65	110.09	91.27	96.03	111.04	153.68	108.18	146.98
Austria (19)	140.45	+1.6	131.17	110.44	114.53	115.01	+0.5	2.46	138.18	131.53	109.05	114.73	114.43	186.70	137.66	165.08
Belgium (42)	136.63	+1.1	127.60	107.43	111.41	109.34	+0.0	5.63	135.11	128.62	106.62	112.18	109.29	152.27	134.08	136.18
Canada (113)	114.28	+0.2	106.73	89.86	93.19	105.63	+0.1	3.22	114.11	108.62	90.05	94.73	105.51	142.12	111.36	134.53
Denmark (34)	193.72	+1.7	180.91	152.33	157.97	160.65	+0.3	1.70	190.41	181.25	150.27	158.09	160.17	273.94	181.70	257.45
Finland (15)	74.70	+2.8	69.77	58.75	60.92	79.17	+1.9	1.78	72.70	69.20	57.38	60.36	77.67	89.80	52.84	77.51
France (99)	147.55	+1.8	137.80	116.02	120.31	123.71	+0.4	3.64	144.89	137.92	114.34	120.29	123.24	168.75	136.93	136.92
Germany (64)	106.61	+2.0	99.56	83.84	86.93	86.93	+0.2	2.61	104.48	99.45	82.46	86.74	86.74	129.69	102.51	112.41
Hong Kong (53)	207.87	−1.8	194.13	163.45	169.51	206.68	−1.8	4.35	211.64	201.46	167.02	175.73	210.41	262.28	176.36	172.97
Ireland (16)	134.87	+0.4	125.96	106.06	109.98	113.09	−1.0	4.84	134.27	127.82	105.97	111.48	114.25	173.71	122.98	157.40
Italy (77)	55.73	+3.4	52.04	43.82	45.44	57.43	+1.8	3.62	53.91	51.32	42.55	44.76	56.39	80.86	47.47	69.39
Japan (472)	104.82	+0.2	97.90	82.43	85.49	82.43	−0.2	1.02	104.61	99.58	82.56	86.86	82.56	140.95	87.27	130.70
Malaysia (69)	271.88	−0.4	253.92	213.79	221.70	266.07	−0.3	2.49	272.91	259.78	215.37	226.58	266.91	282.42	212.49	203.72
Mexico (18)	1594.11	+0.5	1488.77	1253.53	1299.94	5430.94	+0.6	1.10	1586.36	1510.06	1251.95	1317.12	5397.60	1789.77	1185.84	1321.62
Netherland (25)	154.94	+1.9	144.70	121.83	126.35	124.71	+0.2	4.56	152.05	144.74	120.00	126.25	124.46	169.70	147.88	145.30
New Zealand (13)	42.20	−0.3	39.41	33.19	34.42	43.21	−0.5	5.36	42.32	40.28	33.40	35.14	43.42	48.52	37.39	45.19
Norway (22)	149.83	+1.7	139.93	117.82	122.18	130.61	+0.4	1.85	147.34	140.25	116.28	122.33	130.14	192.95	128.05	174.91
Singapore (38)	202.10	−0.1	188.74	158.92	164.80	152.74	−0.1	2.16	202.26	192.53	159.62	167.93	152.81	229.63	179.65	205.98
South Africa (60)	152.62	+0.4	142.53	120.01	124.45	156.80	+0.3	3.27	151.99	144.68	119.94	126.19	156.35	263.60	134.21	261.12
Spain (48)	116.15	+0.6	108.48	91.34	94.72	100.05	+0.0	6.01	115.44	109.89	91.11	95.85	100.05	161.72	107.10	148.95
Sweden (31)	165.31	+1.6	154.38	129.99	134.80	165.16	+0.7	2.38	162.44	154.63	128.20	134.88	164.01	200.28	149.69	169.32
Switzerland (60)	110.90	+3.2	103.57	87.21	90.45	96.26	+0.8	2.22	107.49	102.32	84.83	89.26	95.53	122.37	95.99	95.33
United Kingdom (227)	174.18	+1.8	162.67	136.95	142.02	162.67	−0.1	4.56	171.04	162.81	134.97	141.99	162.81	200.07	161.86	173.64
USA (522)	177.73	+0.7	165.99	139.77	144.94	177.73	+0.7	2.87	176.54	168.05	139.33	146.58	176.54	177.73	160.92	154.20
Europe (779)	137.39	+2.0	128.32	108.04	112.05	121.11	+0.2	3.91	134.75	128.27	106.34	111.88	120.84	156.88	131.31	138.69
Nordic (102)	151.07	+1.8	141.08	118.79	123.19	135.70	+0.6	2.13	148.44	141.30	117.15	123.25	134.90	188.52	141.24	175.46
Pacific Basin (713)	108.85	+0.1	101.66	85.60	88.77	87.34	−0.2	1.38	108.73	103.50	85.81	90.28	87.51	141.97	93.70	132.07
Euro-Pacific (1492)	120.40	+1.0	112.45	94.67	98.18	100.90	+0.0	2.55	119.26	113.52	94.11	99.01	100.91	145.21	113.80	135.03
North America (635)	173.80	+0.7	162.32	136.69	141.75	172.85	+0.7	2.88	172.67	164.36	136.28	143.39	171.72	173.80	158.70	152.91
Europe Ex. UK (552)	115.52	+2.1	107.88	90.86	94.22	98.54	+0.5	3.42	113.19	107.74	89.34	94.00	98.10	132.98	111.33	117.73
Pacific Ex. Japan (241)	148.42	−0.5	138.61	116.73	121.04	136.51	−0.5	3.90	149.18	142.00	117.75	123.87	137.18	175.31	146.06	145.53
World Ex. US (1683)	121.46	+0.9	113.43	95.52	99.05	102.98	+0.0	2.57	120.35	114.56	94.99	99.93	102.95	146.91	115.99	137.11
World Ex. UK (1978)	136.20	+0.7	127.20	107.11	111.08	122.29	+0.3	2.47	135.25	128.75	106.75	112.31	121.88	150.58	127.21	138.81
World Ex. So. Af. (2145)	139.51	+0.8	130.29	109.71	113.77	125.56	+0.3	2.69	138.37	131.72	109.21	114.90	125.19	153.05	130.04	141.04
World Ex. Japan (1733)	159.10	+1.0	148.58	125.12	129.76	151.16	+0.4	3.26	157.48	149.90	124.29	130.77	150.48	165.40	151.93	149.09
The World Index (2205)	139.49	+0.8	130.27	109.69	113.76	125.87	+0.3	2.69	138.36	131.70	109.20	114.88	125.50	153.70	130.66	141.85

Latest prices were unavailable for this edition. Madrid market closed December 7.

DECLARATION OF DIVIDENDS

The following companies have declared interim dividends, in South African currency, payable to members registered in the books of the companies concerned at 12.00 on 24 December 1992:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount Per Share (cents)
Deelkraal Gold Mining Company Limited (Registration No. 74/00160/06)	20	5
Driefontein Consolidated Limited (Registration No. 68/04880/06)	39	60
Kloof Gold Mining Company Limited (Registration No. 64/04462/06)	46	45

Warrants payable on 3 February 1993 will be posted on 2 February 1993.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the companies.

Requests for payment of the dividends in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 24 December 1992 in accordance with the above-mentioned conditions.

The registers of members of the above companies will be closed from 25 December 1992 to 1 January 1993, inclusive.

The following company has not declared an interim dividend:-
Doornfontein Gold Mining Company Limited
(Registration No. 05/24709/06)

By order of the boards
per pro GOLD FIELDS CORPORATE SERVICES LIMITED
London Secretaries
S.J. Dunning, Secretary

London Office:
Greencoat House
Francis Street
London, SW1P 1DH

United Kingdom Registrar:
Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham, Kent BR3 4TU

8 December 1992

Members of the Gold Fields Group

CONTRACTS & TENDERS

DHAKA ELECTRIC SUPPLY AUTHORITY
Greater Dhaka Power Distribution Project
Phase 3

The Government of the People's Republic of Bangladesh and Dhaka Electric Supply Authority have applied for an Eighth Power Project Loan from the special Funds resources of the Asian Development Bank, Manila hereinafter referred to as ADB, in various currencies and it is intended that the proceeds of this loan will be applied to payments under the contract for which this invitation to tender is being issued.

The contract for which the tender is being invited relates to the Dhaka Transmission and Distribution Expansion (Phase 3) Project to be financed under the loan from the ADB. Potential bidders from ADB member-countries who wish to bid are advised to contact:

(a) The Director, Procurement & Stores, Dhaka Electric Supply Authority, 1, Abdul Gani Road, Dhaka.

(b) Project Manager, Ewbank Preece Limited, House No. 47, Road No. 135, Gulshan, Dhaka 1212.

Tender documents are expected to be available from the Dhaka Office of the consulting engineer's address given above from 15th December 1992.

Each tender document will cost pound sterling 100 (one hundred) or equivalent in any convertible currency *and cheques or Banker's draft should be made payable to* EWBANK PREECE LIMITED. This money will not be refundable.

The closing date and time for receipt of completed tenders at the office of the Director, *Procurement and Stores,* Dhaka Electric Supply Authority, DESA Building, 1, Abdul Gani Road, Dhaka will be as follows:

Tender	Title	Local Time/Date
57292/13B	Supply only of LV Single Phase Consumer Meters	10 a.m. 15th March, 1993

Tenders will be publicly opened at 11 a.m. on the tender closing date in presence of the authorised representatives of the tenders in the office of Director, Procurement & Stores, Dhaka Electric Supply Authority, DESA Building, 1, Abdul Gani Road, Dhaka.

Copies of the tender documents will be available for inspection at the office of the consulting engineers in Dhaka

Director, Procurement & Stores,
Dhaka Electric Supply Authority

LEGAL NOTICES

Notice of Creditors' Meeting. Registered No 2324358. Registered in England

UK SCANNER COMPANY LIMITED

Notice is hereby given, pursuant to Section 48 of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at the Park Hotel, Park Place, Cardiff on Wednesday 16 December 1992 at 11.00 am for the purposes mentioned in Section 48 et seq of the said Act, viz: (i) to have laid before it the administrative receivers report on the administration of the receivership; (ii) if thought fit, to establish a creditors committee. Creditors wishing to vote at the meeting must lodge their proofs of debt and (unless they are attending in person) proxies at the offices of Cork Gully, Churchill House, Churchill Way, Cardiff no later than 12 noon on Tuesday 15 December 1992. Proofs of debt may be lodged by submitting a written statement of claim [illegible]
Dated this 27 day of November 1992.
J P Cushion
Joint Administrative Receiver.

(A) MARLOWE ENGINEERING LTD
(B) MARLOWE ENGINEERING (SC) LTD

Registered numbers: (A) 774718, (B) 1972092. Nature of businesses: Precision Engineers. Trade classification: Division 2 Class 7, Engineering and Allied Industries. Date of appointment of administrative receivers: 25th November 1992. Name of person appointing the administrative receivers: Royal Bank of Scotland Plc.

Austin Scott Alleyne and Ian Richard Bradbery, Joint Administrative Receivers (office holder Nos 001247 and 002822) of Moores Rowland, 115 New London Road, Chelmsford, Essex, CM2 0QT.

PERSONAL